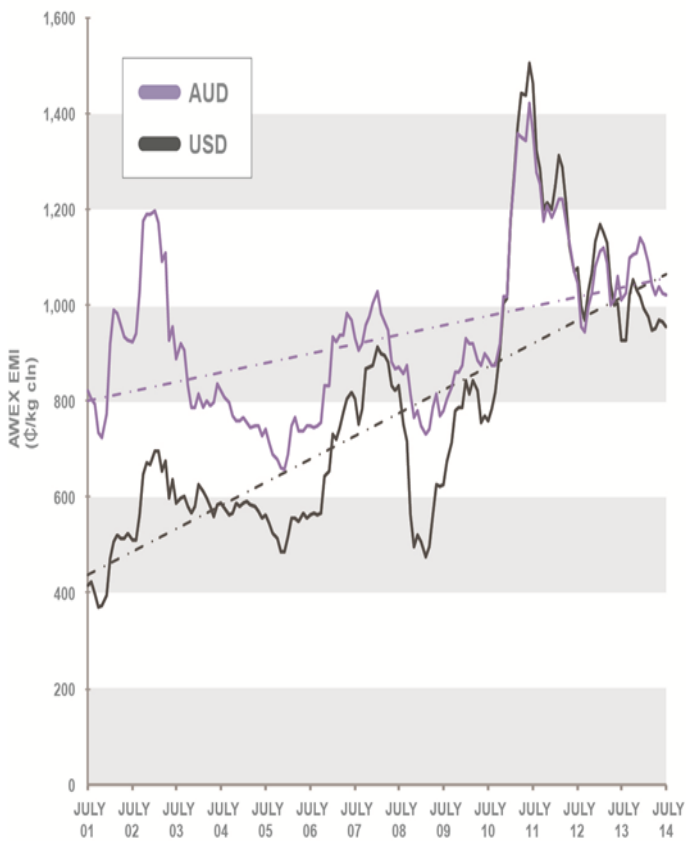




Offering		AWEX EMI				Currency movements		
Bales offered	43,699	AUD	1023 c/kg cln	+1 c/kg	+0.10%	AU:USD	0.8968	-2.27%
Passed-In (%)	11.7%	USD	917 c/kg cln	-20 c/kg	-2.17%	AU:CNY	5.5098	-2.07%
Re-offer (%)	6.7%	CNY	56.37 ¥/kg cln	-1.13 ¥/kg	-1.97%	AU:EUR	0.6970	-1.97%
		EUR	7.13 €/kg cln	-0.14 €/kg	-1.87%			

Monthly AWEX EMI Tracking



Sale days		Wed, Thu		
MPG	North	South	West	
17	1246 +6	1225 +0	-	
18	1211 +0	1211 +3	1173n +16	
19	1161 -1	1173 +3	1153 +8	
20	1128 -8	1128 -11	1127 +1	
21	1117n -11	1122 -10	1116 -1	
22	-	1112 -12	1111n +9	
23	-	1105n -8	-	
24	-	-	-	
25	-	911n	-	
26	798n +10	788n +0	-	
28	668 +17	667 +11	-	
30	651n +13	654 +12	-	
32	-	600n	-	
MC	778 +0	769 -3	782n +1	

MPG and indicator data in AU cents and sourced from AWEX

Riemann Wool Forwards			
21 Micron		Values	
Maturity month	Sum of kgs	Low	High
Aug – 2014	55,500	1160	1170
Sep – 2014	26,500	1125	1150
Nov – 2014	10,000	1170	1170

Forward wool prices in the above table are in AU cents and supplied by Riemann, www.riemann.com.au

Sale week	2014/15 forecast	2013/14 actual
Week 13	43,559 Bales	46,820 Bales
Week 14	47,688 Bales	42,492 Bales
Week 15	42,000 Bales	38,592 Bales

The Australian wool market operated this week on a very similar basis to what has been in play for a few weeks now. On the surface, the Merino fleece sector appeared to be unchanged, but a quick analysis shows a continuation of the diverging prices between the best on offer to the lower specified types. Price gaps are extending, as buyers are finding it increasingly difficult to place the high POBm (point of mid break) wool types which are remaining prevalent. The crossbred and comeback market remains positive, and some nice gains in price levels were achieved. All other segments of the offering basically traded firm unchanged.

With the Australian dollar trading against the US dollar at under 0.90, we may have expected somewhat of a better gain on local wool markets. The advantageous level of the AUD failed to ignite the market, but many exporters were not expecting much of a surge, as the modern day wool trading is very much skewed towards hand to mouth buying by our overseas customers mainly buying in USD. Any forward contracts written in USD over the past month or further out would most likely have been fully covered at the time of booking, so no Australian dollar improvement could be gained. Indent buyers rely on the spot rates to cost their purchasing if using USD, so once again, any difference in the exchange rate is immediately allowed for. Any new forward offers are tendered out to clients on a daily basis using the spot rate.

All Merino fleece finer than 19.0 micron exhibiting low to mid-range POBm (0 – 65) were extremely well sought, and gains of 15 Australian cents clean/kg were achieved during the selling week. Unfortunately, the lower specified types fell by 10 to 15ac clean/kg thus eliminating the opportunity for the market indicators to show a decent rise. Fine medium 19.0 to 23.0 micron Merino fleece types drifted lower this week and 10ac clean/kg was lost from their values. The AWEX EMI (Eastern Market Indicator) did manage to rise for the week, albeit by an extremely modest 1ac clean/kg.

Skirtings and cardings traded throughout at largely firm unchanged levels for the week, with some minor variances only occurring on specific types. The only notable performers were the lighter VM (less than 3%; vegetable matter) Merino skirtings which managed to put on a small percentage rise.

The strength of the comeback and crossbred (25 to

32 micron) market continues unabated. The segment put on gains of between 10 and 20ac clean/kg, as buyers scrambled to cover old contracts in order to be in a position to write some new orders that are currently available.

A good offering of around 43,500 bales is currently rostered to sell next week. It is expected the market will be stronger, with better specified wools being available due to the fact of it being a designated superfine week.

The annual Nanjing Wool Market conference was held in China last weekend, and largely positive news was emanating from the Australian traders in attendance. Our Chinese manufacturers are facing challenges with two big issues in front of them, but are remaining relatively upbeat. The issue of wool processing effluent disposal from scouring and dyeing is taking capital away from wool purchasing as factories upgrade their recycling and disposal methods to comply with new regulations due in Jan 2015 from the EPA in China. Also the continuing access to credit is still the primary determining factor in purchasing for most, but a mostly positive opinion of the Australian wool market being able to hold on to the price levels is generally in play.

The Chinese are also very aware of the overall diminishing production from Australia and are showing concern over the high volume of Merino wools under 18.5 micron being produced and the relative shortage of wools broader than 19 micron. They are unable to pay much of a premium for the finer microns, as a lot of the wools are hunger-fine and are currently producing disappointing results on machinery over there. A surprising comment of there being 'too few exporters' was heard on more than one occasion from Chinese agents and users.

Exporters found some good business opportunities, and most were able to reduce or eliminate any stock positions held and write some new business for relatively prompt shipment. This augurs well for the short term as cash becomes available locally for purchasing.

With over 500 delegates in attendance, this goes to show that this conference is the premier trade event on the wool calendar. For the conference to be held in such an unexpected positive manner was considered a bonus by most of the Australian delegates.

Industry News

ICAP, an interdealer broker for the Australian wool industry, made the decision to close their Australia Agricultural Commodities Business yesterday.

ICAP Australia's CEO, Brad Howell, reported in an emailed statement, "ICAP will be pulling out of its direct market activity across Grain, Wool, Cotton and Commodity Futures offering."

Mr Howell added, "we are investigating alternative opportunities in this space, with a view to potentially maintain some less direct involvement with the sector utilising our technology, product IP and existing relationships. We will advise all clients of these developments as soon as we can."

Commentary from Riemann

Some revived buying interest for coarse wools saw some fresh bids on Riemann Forwards for the 28MPG and 30MPG contracts. For the 28MPG contracts, bids varied from 645¢ for late October to 640¢/kg clean for early-December, with November prices somewhere in between. As for the 30MPG contracts, bids ranged from 615¢ to 610¢/kg from late October until early December. Despite the firm bids, they were not attractive enough to entice producers to offer lots against them. As opposed to coarse wools, buyer activity on the medium wool contracts was virtually non-existent this week, which supports the view that the wool market is still looking for direction.

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