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Mixed predictions for Aussie wool



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WITH the Australian wool market sinking to a six-month low last week, analysts are predicting a mixed bag for the industry over the coming months.

Last Thursday the Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) settled at 1054 cents a kilogram, down 91c from the peak it made just prior to Christmas.

There were just over 42,300 bales offered of which 16.7 per cent was passed in at auction.

Moses and Son managing director, Marty Moses, Temora, said the recent price falls in the market were uncharacteristic for this time of year.

"For eight out of the last 10 years we have seen the market rise in January, February and March, as it's been the key purchasing period for 60pc of the wools that are going to China and Italy," he said.

However, he said this year Italian buyers had been very cautious in their purchasing as there was an increase in the amount of fine wools - particularly superfine and ultrafine - being produced; hence, the buyers had plenty of volume to choose from.

Meanwhile, Mr Moses said China had been extremely sluggish coming back into the market following the Christmas period and the Chinese New Year.

Mr Moses said Chinese buyers had expected the Australian dollar would come down which would have made wool cheaper for them to buy.



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"It has in fact gone the other way and they were banking on an Australian dollar in the low 80s, whereas it's hovering around the 90c mark, which hasn't helped the wool market," he said.

Mr Moses said it was becoming less likely there would be a kick in the market before Easter.

"I think the next opportunity for the market to show some bullish signs is when quantities run out. There has been a lot of wool passed in at some centres up to 30pc, so that all has to filter back through," he said.

He said there may be a small rally for quality wools.

"Generally I think the market will pretty much travel at this current level or less going into May, June and July, and from there who knows in the new financial year," Mr Moses said.

AuctionsPlus and Wooltrade market operations manager Tony Benson was more optimistic and said he believed the market may have reached its bottom with the recent market fall.

"We have seen some sales on AuctionsPlus Wool and Wooltrade this week and things are looking particularly better for the 18 to 19.5 micron wools and those with good style 35N/kt or better have achieved some good prices," Mr Benson said.

He said buyers operating for China, India and Europe had all bought this week.

"My call is that we have hit the floor and things will start looking better from here," Mr Benson said.

He said the robust Australian dollar had not helped the wool market, nor did a lack of demand for the 40,000 plus bales offered weekly recently.

In a positive sign for the market, Mr Benson said people were paying upwards of \$160 for Merino ewes.

On Tuesday on AuctionsPlus, 400 rising two-year-old Merino ewes that were scanned-in-lamb sold for \$161 out of South Australia.

"It's a good sign that people are interested in Merinos and staying in wool production," Mr Benson said.

Falls across the micron ranges were varied last week with those hardest hit including 22 micron indicator (MI) at Sydney which fell by 34c/kg to finish at 1148c/kg; at Melbourne the 19.5 MI bore the brunt losing 38c/kg to close at 1168c/kg and in the west the 21 MI fell 28c/kg to close at 1148c/kg.

According to AWEX volumes look to remain steady in the short term with forecast volumes of approximately 42,000 bales per week.

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