



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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16th August 2019

2019/30

From the desk of Chris Wilcox, Executive Director

- Big drop in Australian wool prices as negative global sentiment hits home
- President Trump moderates his import duties, but wool still in the firing line
- Australian shorn wool production forecast to fall by 5% in 2019/20
- Australian wool exports down in 2018/20
- NCWSBA Wall Chart for 2018/19 – now available
- Upcoming industry events



Wool prices drop sharply as Supercycle hopefully nears the bottom

Wool prices in the Australian wool market dropped alarmingly in the week ending 16th August. Clearly the negative sentiment in the wool market triggered by the Trump Administration's announcement of 10% import duties on the remaining imports from China two weeks ago and the subsequent devaluation of the Chinese Renminbi continued. The decline in the EMI since the peak exactly one year ago (including the sharp falls in the past fortnight) follows the pattern we have seen for all five Supercycles over the past 30 years. That is, there is a strong rise in wool prices which lasts longer than expected and which reaches a peak, before a price downturn, triggered by an outside event but with conditions in the wool textile industry that have reached a state ripe for a decline in wool prices. Prices then retrace a significant portion, but not all, of the price gains seen in the Supercycle.

Prices have fallen by around a third from the peak for each of the past three Supercycles. So far, prices for the current Supercycle have dropped by 28% in A\$ terms and 33% in US\$ since the peak in August 2018. As well, for each of the past four Supercycles, the low point after the Supercycle was higher than the low point for the previous Supercycle. The current level of the EMI in both A\$ and US\$ is above the low point in the 2011-2012 Supercycle. History therefore brings us hope that we are nearing the end of the current price decline.

There is considerable global geo-political and economic uncertainty, including the upheaval in Hong Kong, the news this week that Germany's economy went backwards in the last quarter, the increasing tensions between Japan and South Korea, and rising anxiety about recession in some of the major economies. These have all come on top of the US-China tensions. Unfortunately, these events as well as the current difficult conditions for wool textile mills, notably in China, are likely to prevent a reversal of the downturn in the near term despite the forecast of lower wool production in Australia in 2019/20, although we may see some steadying in the wool market in coming weeks.

INDUSTRY EVENTS

The **NCWSBA AGM and Forum** is on 22nd August at the RACV Club in Melbourne.

The **Nanjing Wool Market Conference** will be held in Qufu, Shandong on 20th to 23rd September 2019.

The **2019 IWTO Round Table** will be held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

WOOL SALES WEEK BEGINNING 19TH AUGUST 2019 – week 8 (roster as at 15/8/2019)

Sydney

Tues, 20th August; Wed, 21st August 11,194 bales

Melbourne

Tues, 20th August; Wed, 21st August 22,502 bales

Fremantle

No sale

Information in the Weekly Newsletter is intended to provide general information only and is not intended to constitute advice for a specific purpose.