

EXPERT MARKET ANALYSIS



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Wool market is tracking sideways

Figure 1. 18.5, 19 and 21MPG in Fremantle



Source: AWEX

» Little difference between MPG's

Demand is soft

Figure 1. 19MPG in A\$ and US\$



Source: AWEX

- » Au\$ & US\$ prices diverging
- » Demand signal?

Percentiles – W.A.

Figure 1. Western MPG Spot Price Percentiles (2003-current)

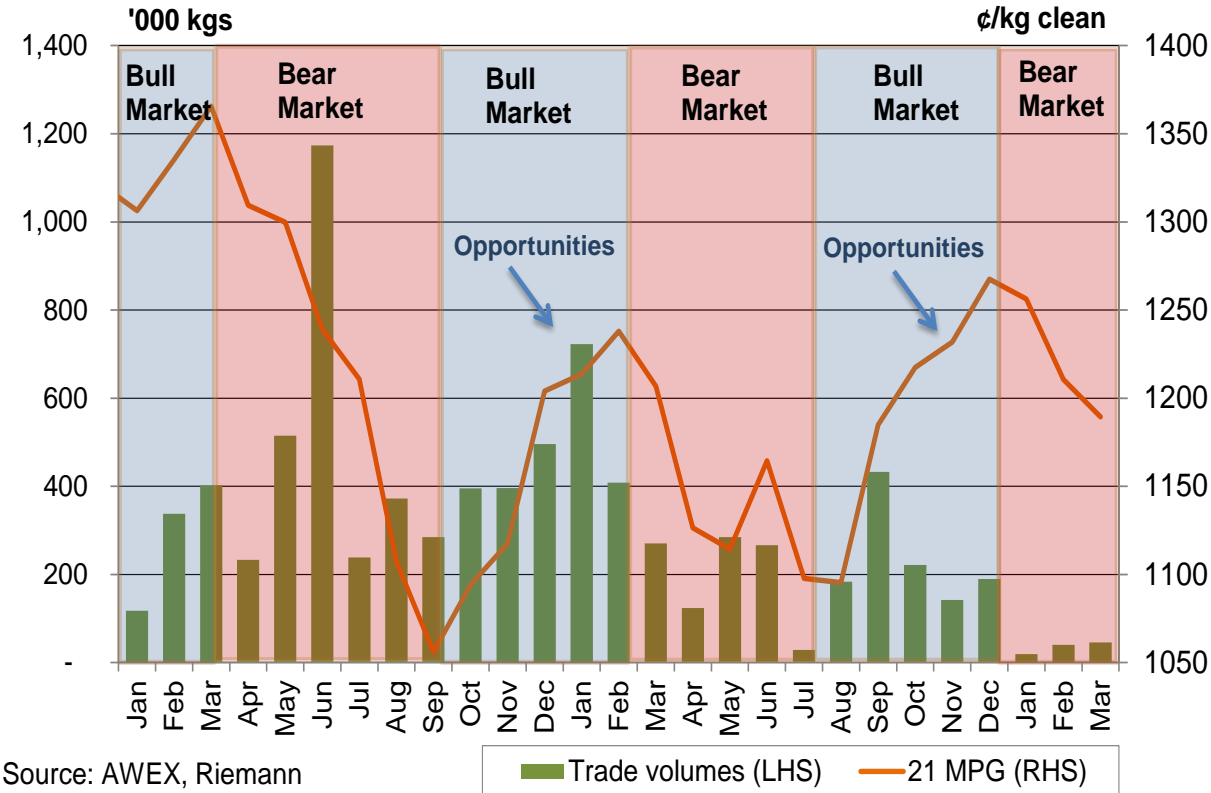
	WMI	18.5u	19u	19.5u	20u	21u	22u	23u	Cardings
Min	617	807	767	728	670	653	639	636	346
10%	702	928	899	853	786	736	707	688	402
20%	727	960	924	878	824	763	729	702	420
30%	760	1031	955	910	861	819	789	732	430
40%	835	1091	1007	963	904	865	838	786	461
50%	892	1140	1053	990	952	928	903	826	523
60%	936	1187	1114	1070	1018	985	939	878	573
70%	1003	1242	1190	1140	1092	1058	1027	907	610
80%	1098	1300	1254	1220	1186	1179	1153	984	693
90%	1174	1449	1385	1345	1292	1264	1231	1116	759
Max	1415	1934	1767	1657	1571	1513	1454	1326	856

Date	12/03/2014								
Price	1088	1216	1197	1173	1163	1157	1152	1143	795
Percentile	79%	63%	71%	75%	77%	78%	80%	91%	96%

Source: AWEX

Selling volume has eased on rallies

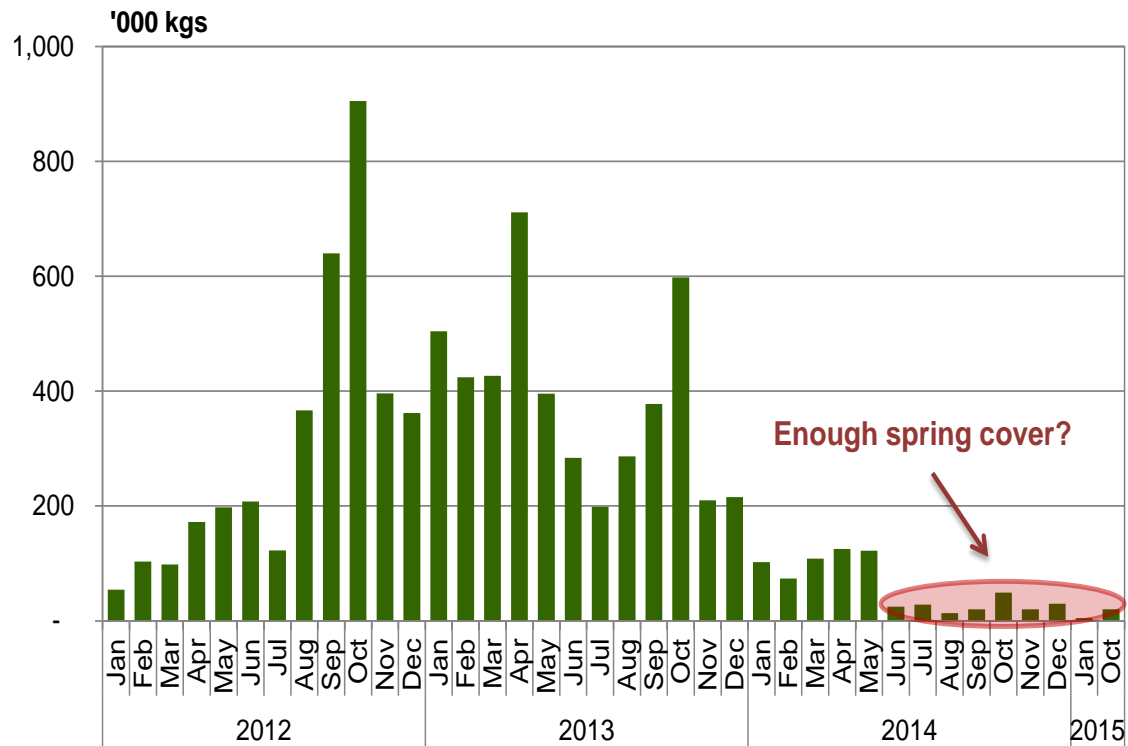
Figure 2. Wool prices and traded volumes



- » Opportunities tend to appear in bull rather than bear markets.
- » Bids follow spot market hence the increasing volumes in upward markets.

Forward cover for the Australian wool

Figure 3. Monthly volumes by maturity

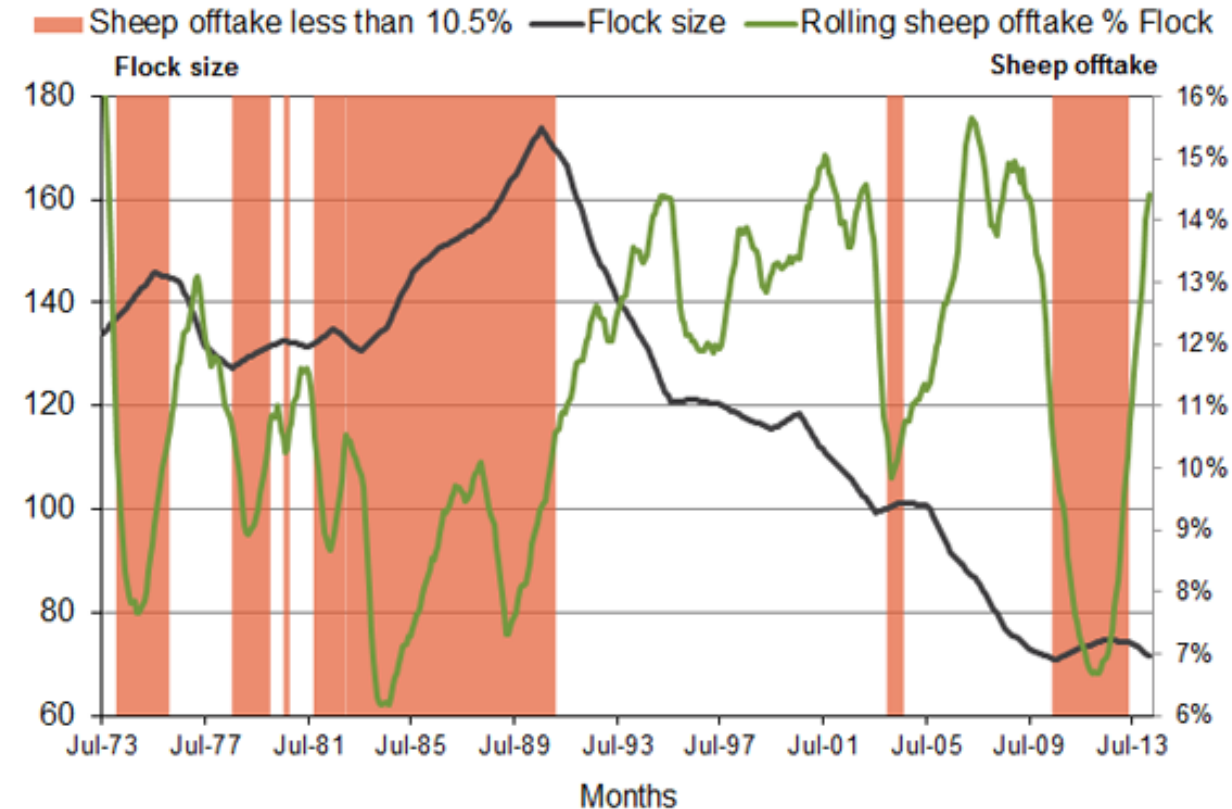


Source: Riemann, ACU

- » Have we missed on getting more spring cover back in Dec/Jan when bids were quite

Flock is still in decline

Figure 1. Sheep offtake and flock size

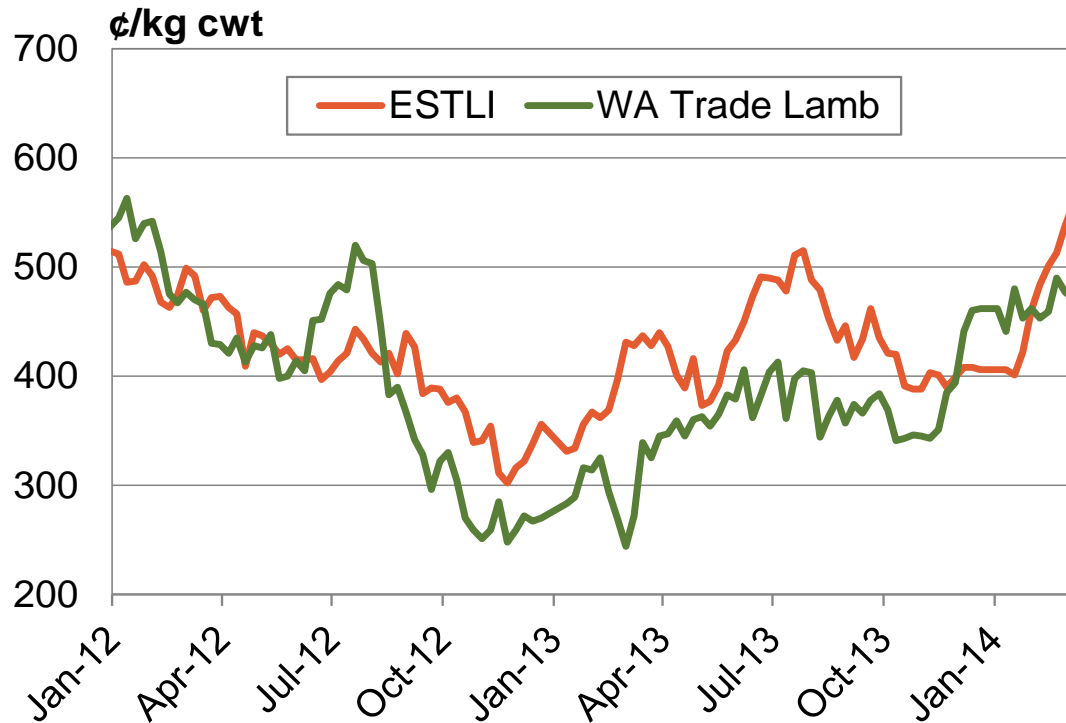


Source: ABS, MLA, AWC, WI, AWEX

- » Drought impact
- » Off-take above 10.5%

W.A. Lamb

Figure 1. ESTLI and WA Trade Lamb

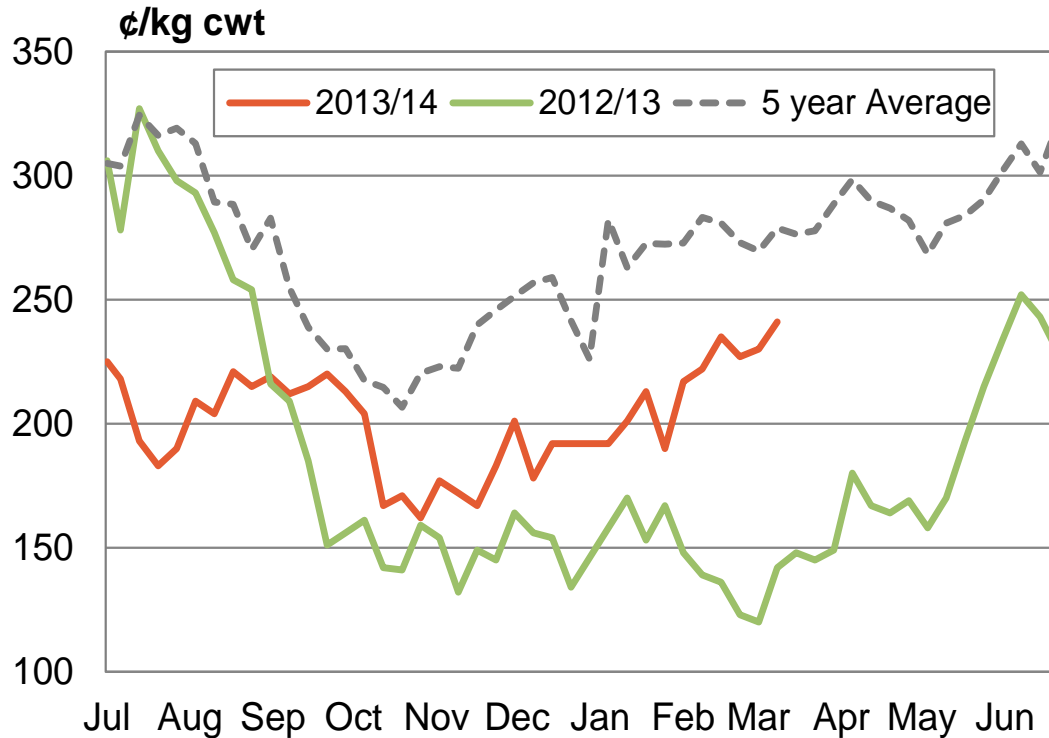


Source: MLA's NLRS

» East coast caught up!!!

W.A. Mutton

Figure 3. WA mutton price



Source: MLA's NLRS

» Still room to rally higher

Riemann Wool Forwards - Settlement Basis

- » Wool delivered to broker store and listed for auction on the date of the contract settlement.
- » Contracts settled against the nominated MPG (Mid price of the North & South MPG's) on the contract settlement date.
- » Contract settles higher than forward contract price
 - Grower sells wool in auction
 - Cash deducted from grower
 - Cash sent to buyer
- » Contract settle below forward contract price
 - Grower sells wool in auction
 - Cash received from buyer
 - Cash sent to grower

Example – market falls (wool sold tests 21.8 micron)



» Contract signed (22 MPG)
– 1050 cents

» Contract settles
– 850 cents

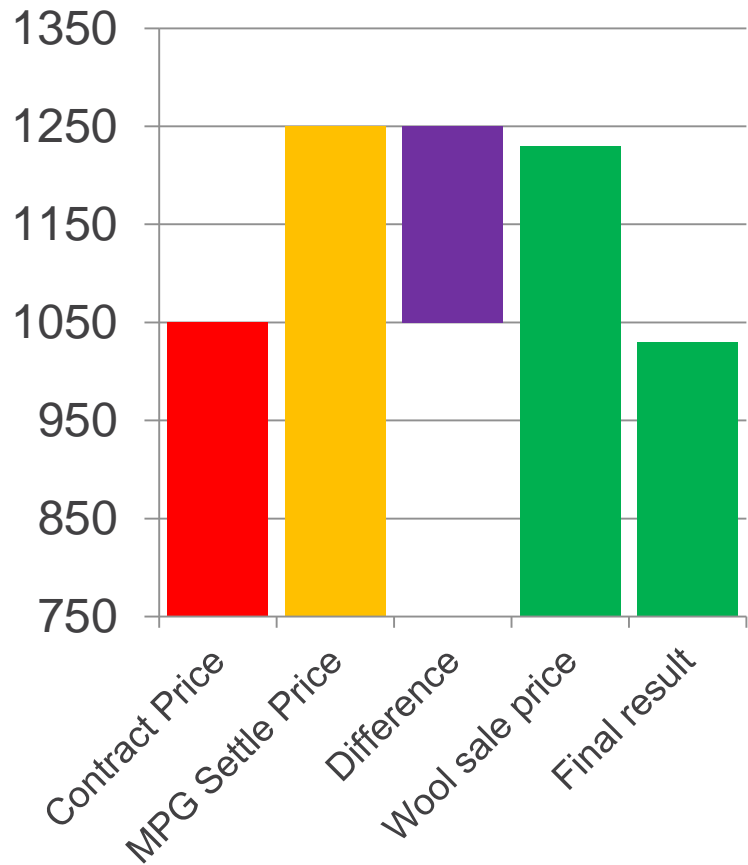
» Payment to grower
– 200 cents

» Wool sold (21.8 mic)
– 870 cents

» Final result

– 1070 cents

Example – market rises (wool sold tests 22.2 micron)



» Contract signed (22 MPG)

– 1050 cents

» Contract settles

– 1250 cents

» Payment from grower

– 200 cents

» Wool sold (22.2 mic)

– 1230 cents

» Final result

– 1030 cents

minus

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