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**Southern Aurora Wool Forward Market Report – 11th April 2019**

**By Mike Avery**

The spot auction market continued it’s trend of the last two months with Merinos again easing and Crossbreds continuing to be in demand.

Forward markets held at last week’s levels early in the week with both 19.0 and 21.0 trading at near to cash. 19.0 traded May at 2275 (cash 2281) and 21.0 June at 2250 (cash 2251).

The forward curve flattens as we head into the new season. Limited quantities bid out to December 2020 with processors willing to take the risk on some stock of 19.0 at 2150. Although at a 130 discount to the current cash it is in line with the average price for last November (2160) and above the two year average for 19.0 micron of 2120.

Closer in exporters are looking to hedge some forward business but demand remains tepid so volume is low. 21.0 microns is bid at 2230 out to June. Twenty cents under cash but could represent fair value as the market has fallen 120 cents in the last seven weeks. This highlights the fact that risk is at a premium. Although the market trend remains bearish exporters are keen to reduce risk where possible as the tight supply increases the likelihood of continued volatility.

Crossbred forward pricing remains at historically high levels but well under the record high cash levels. 28.0 micron bid into the spring at 1100 cents and 30.0 at 900 cents. With 28.0 at 1236 and 21.0 at 2251 the ratio sits at 55% the highest for the last 3 years for Crossbreds to medium merinos.

Trade Summary

19.0 May 2275 5t

21.0 June 2250 10t

28.0 Aug 1075 4t

28.0 September 1100 10t

Total 29 t

**Projected forward trading levels for next week:**

|  |  |  |
| --- | --- | --- |
| **Month** | **19.0 Micron c/kg** | **21.0 Micron c/kg** |
| April | 2270 | 2235 |
| May | 2245 | 2230 |
| June/July | 2245 | 2230 |
| Aug / sept | 2150 | 2090 |
| Oct/Nov | 2150 | 2040 |
| Dec/Jan | 2150 | 2000 |
| Feb/Jun2020 | 2150 | 2000 |
| July/Dec2020 | 2150 | 2000 |

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