



RWS - International Wool Report

4th October 2024

A week is a long time in the wool industry it seems. An unexpected burst of stimulus from the Chinese government has changed the mood significantly and seen a much better mood throughout the wool world. Whether it lasts, or fulfils larger expectations remains to be seen, but at least for the moment things are looking much better than they were a mere 10 days ago. This week, despite a stronger Aussie Dollar the market was very solid, and not just in a particular sector, but across the board. Knitwear types were again keenly sought after, but also merino fleece of all microns, and seemingly regardless of specification. From superfine locks to downs wool, buyers were keen to own something. The AWEX EMI rose by 17 cents in local currency terms, 12 US cents and 19 Euro cents as well. Exporters were covering sales made the previous week during their travels to China to a degree, but also plenty of new orders suddenly appeared with Indent buyers jumping on the firm offer band wagon where they could.

Sales of wooltop and yarn had been fairly sluggish in the Chinese domestic market, and very sporadic in other markets around the globe as everyone waited to get some feedback from the gathering in Tongxiang at the conference. Not a lot of inspiration came from the meeting, and certainly not much positive news, but external factors came into play and sales ratcheted up a notch or two, mainly in the domestic market but with just enough export orientated business to keep people on their toes.

The key driver was the previously announced Chinese Government stimulus and its obviously intended effect on the Chinese stock market. Most, if not all working citizens in China have exposure to the share market, and they have been lamenting the poor performance of their bourse during this calendar year, so a sudden revival in stock valuations was most welcome. Of course, how sustainable the rally can be is a question, with the government essentially providing credit for many listed companies to purchase their own shares, but as a confidence booster it has certainly done the job and boosted share indices by as much as 30%. The fundamentals have not necessarily changed but people are now more hopeful that they were. Prior to the stimulus being announced, those in the wool trade in China were gloomily predicting a further drop in the wool market of up to 1 US Dollar over coming weeks. This has quickly turned around with such a firm market in Australia and South Africa, both of which continue to face restricted supply scenarios.

The market now has a decision to make, whether to go further and really develop into a price rally, or to consolidate at this level for a bit. Prudence would dictate that the market should steady and wait for the fundamentals to actually catch up, some real demand to flow back from an improved retail environment before embarking on a further rise, but the wool market is a volatile beast, and it has been constrained for so long that it is just itching to have a run. The volume of wool rostered for the upcoming sale is still small with only around 32,000 bales in Australia and less than 7,000 bales in the Cape rostered for next week. One sure way to snuff out any chance of a further price rise is to swamp the subsequent auctions with grower held stocks. Hopefully, patience will overcome greed, and we can maintain the steady supply of greasy wool onto the market, but it is a free market, and individual circumstances will dictate grower decisions.

1.4 billion Chinese are currently celebrating Golden Week which began with National Day on Tuesday to mark the 75th anniversary of the People's republic. What started as a single day of national celebration has now morphed into a weeklong celebration, and of course time off work to get together with family and friends, commune with nature, or go shopping. At least that is what everyone in the textile industry is hoping for. The weather in China has finally turned it seems with daily temperatures in Shanghai back in the mid to low twenties, so it should be a little more conducive to selling woollen sweaters now compared to when the mercury was hovering in the mind thirties. This weeklong patriotic celebration typically marks the start of the retail season for the autumn/winter collections, so the government's timing of the stimulus package is obviously geared towards boosting consumption and hitting their GDP growth target.

But one swallow does not make a summer, but it always rains at the end of a dry spell, to quote the late John Lindner. So, we need to wait and watch to see if the foundations are solid enough for the wool market to climb back up the price curve, and we still need a fair bit of support from other markets outside of China. Those in Europe are beginning to see the inflation dragon take its last breaths, but their economy remains on life support. Something more than the slow and measured response of the European Central Bank may be needed to resurrect the 27-member collective back to a viable retail operation and the clock is ticking for the current wool selling season. Certainly, European based processors are yet to see a turnaround in sentiment as we have started to see in China. They may take some comfort from their Asian competitors if, and only if it is sustained, but it is far too early for them to be making that call at present.

So, it is going to be an interesting week ahead. The fun and frivolity could be short lived, or a few more players could get off the fence and decide they want to buy a bit of stock just in case. Supply signals could swamp the market if too many bales are thrown into forthcoming weeks. The Chinese government could rest on their laurels, or they could follow up with further targeted stimulus programs as some economists are calling for. And of course, we still have a couple of other skirmishes around the globe and a pending election which could all go one way or the other and create a bit more angst. The wool industry is certainly never boring.

AWEX	RMI	Change	17	18	19	20	21	22	28	30	MC
North	1142	+17	1633	1483	1364	1280	1242		375	335	698
South	1078	+17	1630	1479	1362	1295	1261	1223	367	332	675
West	1230	+2		1425	1341	1273	1247				718
EMI	AUD	1104	+17		USD	763	+12		EURO	687	+19