

Commodities Weekly

For the week ending Friday 2nd November



Wool prices drifting lower

The outlook is for softening prices, although mid-micron prices are faring better

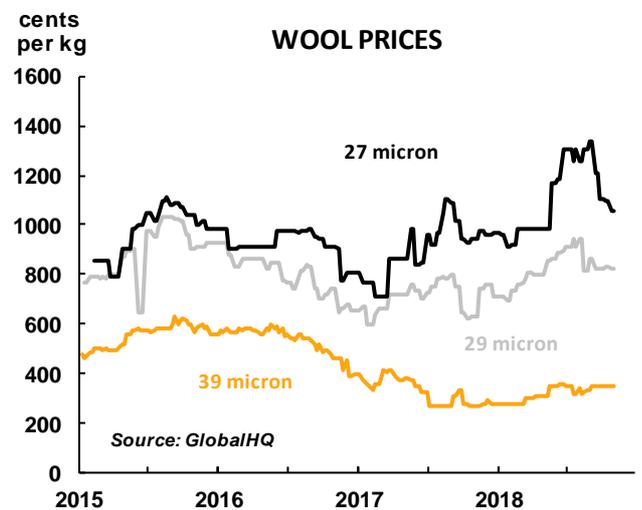
Overall, **coarse wool prices have fared much better over 2018 than in 2017**. In the 10 months to date, 39 and 37 micron wool prices have lifted 23% and 11% respectively, as compared to the same period in 2017.

However, **the outlook for coarse wool prices remains soft**. Prices remain low compared to historical averages. Indeed, despite robust global growth, 39 micron wool prices remain stuck 21% below post 2015 averages.

Mid-micron wool prices have fared better. Prices have lifted over 2018 as healthy global growth has translated to higher demand for apparel. Prices for 29 micron wool have lifted 16% so far this year.

From here, **we expect prices for all wool types to drift lower**. The global economy is slowing a touch, notably in China.

Mid-micron prices are expected to remain at healthy levels, but coarse wool prices look likely to ease towards recent lows.



Week ending 2 November

The ASB Commodity Price Index fell 1.9% in NZD terms in the week ending 2 November. Most of the dip owed to a surging NZD/USD, with the Index actually rising a touch in USD terms.

The small rise in NZ commodity prices in USD terms was across most commodity types, with the exception of dairy. Forestry and fruit prices both lifted 2.3% in USD terms, while sheep/beef prices posted a 1.2% increase.

The NZD/USD surged 2.3% last week on rebounding global equities and improving risk sentiment. The increase in the NZD has continued this week, with the Q3 NZ unemployment rate falling to a decade low (3.9%). As at the time of writing, the NZD/USD was trading at 0.6750.

ASB New Zealand Commodity Price Indices As at Friday 2nd November 2018

	Index*	Week %	Year %**
Total NZD	109.9	-1.9%	-1.7%
Total SDR	96.5	0.2%	-3.9%
Total USD	87.9	0.3%	-4.9%
Dairy USD	79.2	-0.6%	-13.1%
Sheep/beef USD	92.7	1.2%	0.6%
Forestry USD	98.6	2.3%	0.8%
Fruit USD	97.2	2.3%	-1.4%
NZD/USD	0.6661	2.3%	-3.2%

* For all indices 2014 average = 100

** Percentage change since same week last year

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