

February Monthly Update



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Key Watchpoints – February

- The AWEX EMI has continued to strengthen, underpinned by ongoing tighter supply. Improving consumer confidence in key markets is providing additional support, but geopolitical volatility remains a watchpoint.
- The Australian Dollar has lifted sharply over the past few weeks, applying downwards pressure on wool markets.

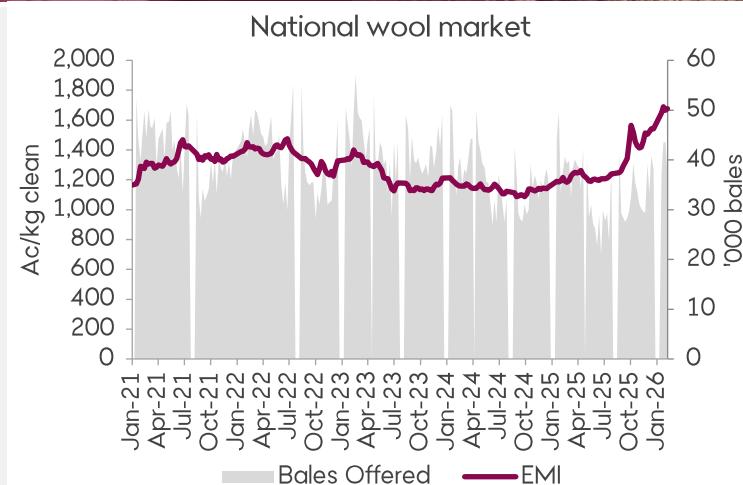
Wool prices lift, before currency shifts take their toll

The Australian wool market continued its positive run into 2026, moving higher in the first two selling weeks before unfavourable currency movements halted its progress (more on the next page). The AWEX Eastern Market Indicator (EMI) climbed 148 cents between the final selling week of 2025 and second last sale in January, before falling back -24 cents in the final selling week of the month.

Wool supply lifted in January, with weekly offerings averaging 41.4 thousand head per week, up 10.6 per cent from December but still down -2.7 per cent compared to January 2025. The ongoing tighter supply of wool following destocking over the past few seasons continues to provide significant support to the market. The Australian Wool Production Forecasting Committee estimates that wool production will total 244.7 million kgs (greasy) in 2025/26, which will mark a -25.3 per cent decline from the recent peak in 2022/23.

Prices have also been supported by improving consumer confidence in Australia's key markets of China and Europe. However, ongoing uncertainty relating to global trade and inflationary concerns continue to limit upside.

Prices are forecast to be steady to slightly firmer over the next few weeks, as the continued tighter supply will provide support, while the firmer Australian Dollar will limit gains.

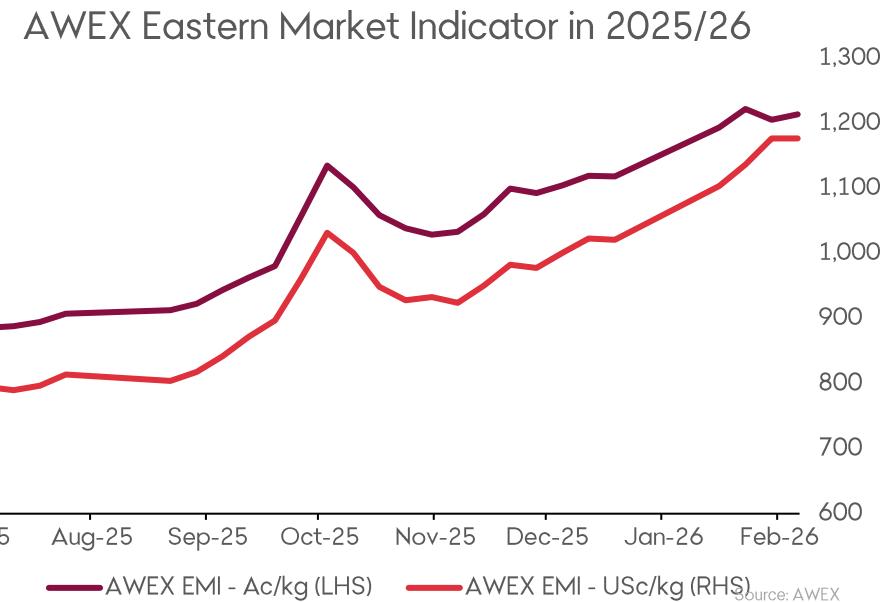
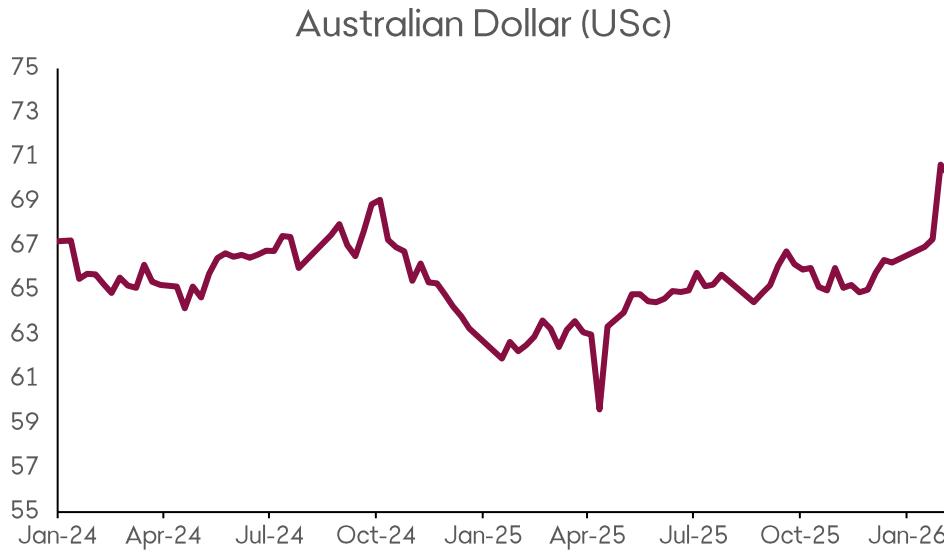


Currency shifts and the wool market response

The Australian Dollar (AUD) lifted sharply in the final week of January, after following a relatively consistent upwards trajectory over the past 12 months. The AUD jumped above 70 US cents, its highest level since February 2023, ahead of the ABS inflation data which was released on the 28th of January. Some profit-taking that morning saw the dollar briefly slip back below 70 US cents, before the ABS data showing higher-than-expected underlying inflation provided additional support.

The US Dollar has fallen to its lowest level in four years, mainly due to expectations that the Federal Reserve will cut interest rates at least twice this year, alongside what has been described as "erratic policymaking" from President Donald Trump. From an AUD perspective, this was paired with markets anticipating a lift in the RBA cash rate, which would widen the differential between Australian and US interest rates. The AUD also lifted against other major currencies, notably the Chinese Yuan and the Indonesian Rupiah, while sitting near multi-year highs against the New Zealand Dollar and Japanese Yen. The Japanese Yen has also been impacted by the recent announcement that Japan would suspend GST for two years, which given that Japan has the largest amount of government debt, resulted in a sell-off of bonds that sent interest rates higher. This shift supported the Japanese Yen against the US Dollar, although it still weakened against the AUD.

In response to the currency changes, the Australian wool market moved lower in AUD terms but continued its upwards trajectory in US dollar terms in the final selling week of January. The AWEX Eastern Market Indicator (EMI) in AUD terms fell -1.4 per cent, while the EMI in USc terms finished +3.5 per cent higher. When compared to recent peak seen in October 2025, the EMI in AUD terms has now gained 6.4 per cent while in US terms the EMI is up 14.1 per cent. Should the AUD continue higher in the coming weeks, this would apply further downwards pressure on Australian wool prices.



Monthly Commodity Insights



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