CHINA ECONOMY SET TO ENTER RECESSION

CHINA COTTON CONSUMPTION COULD FALL 3.5 MB IN SECOND HALF 2020

AUSTRALIAN RAINS CONTINUE

SPECULATIVE INFLUENCE ON ICE FUTURES SET TO EXPAND

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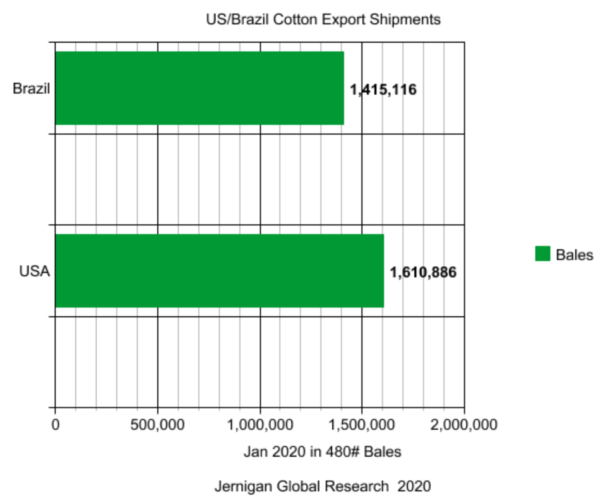
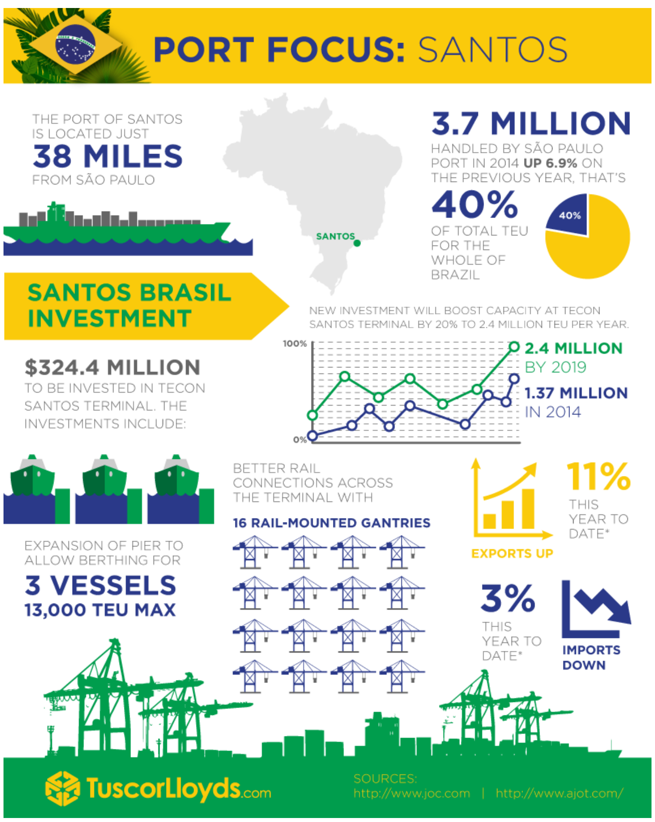
BRAZIL EXPORT SHIPMENTS REACH RECORD IN JANUARY/INFRASTRUCTURE PERFORMS

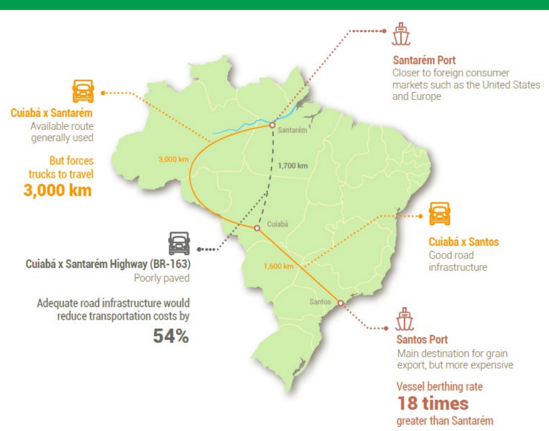


Brazil is showing no signs of slower trade with China, despite the US/China trade agreement and Coronavirus. Reports emerged last week of several cargos of Brazilian and Argentine soybeans being sold to Chinese buyers. The Brazilian Ministry of Agriculture also said all shipments to China were on schedule. Overall January exports, with the exception of cotton, were light, as Brazil experienced its first January trade deficit since 2015. Soybean exports totaled only 1.5 MMT, while cotton exports in January were a new record at 308,000 tons (1,415,106 bales). The US shipped 1,610,886 bales in January. This impressive performance is, in part, thanks to an improvement in infrastructure that has already been achieved under the Bolsonaro administration.

Total 2019 crop cotton exports have reached 1,385,000 tons (6.364 million bales). Chinese import data showed that Brazil was the top supplier in 2019/2020, with August-December imports of 184,192 tons, which represents a market share of 36.3%. Export demand for the remainder of the 2019 crop has remained strong from non-Chinese consumers. ANEA estimates that 2020 exports will increase to 2.04 MMT (9.3728 million bales), compared to 2018 exports of 1.611 MMT (7.631 million bales). ANEA estimates 2020 ending stocks at a record 1.622 MMT (7.452 million bales).

China indicated that its purchases of agriculture products would be focused on competitive prices, and US soybeans are carrying close to a 20 USD a ton premium over Brazilian, which has aided in the Brazilian business being secured. The Andres Williams Ship Agency reports that 7 MMT of soybeans are scheduled to be shipped from the two main southern ports. Some weather delays have been reported due to periods of excessive rain.

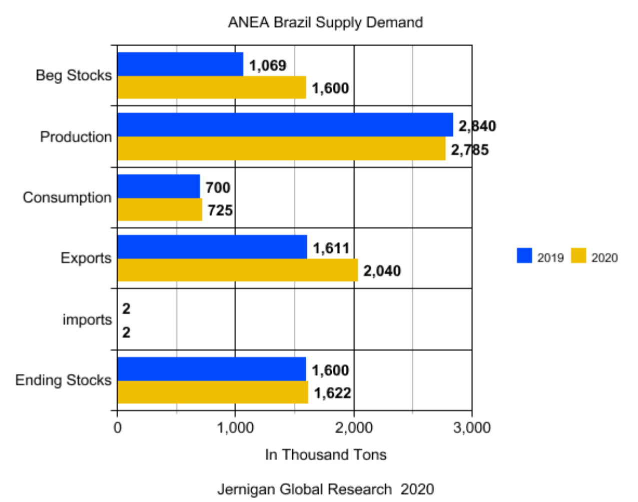




BR 163 now paved

Brazilian CFR basis levels remain near par with US E/MOT type offers. The standard Middling 1 1/8 offers are near 900 points on March. Most spinners in the major import markets are buying US and Brazilian cotton almost interchangeably in the medium grades. There have been no sizeable purchases of cotton confirmed from China in recent weeks from either origin amid weak domestic demand. Unlike in soybeans, Brazil enjoys no price advantage in nearby offers of cotton. However, for October-December 2020 and January-March 2021 shipments, Brazilian cotton enjoys a notable price advantage over US. There have been no confirmed offers of a E/MOT Middling 2019 or 2020 crop Middling 1 1/8 found at less than 1000 points on Dec, while Brazilian can be purchased near 800 points on. This raised the question, if China focus its cotton purchases on 2020/2021 crop or for shipment after August 1st, will it pay the premium for US or force US sellers to cut basis levels?

Brazilian cotton sold into Indonesia, Vietnam, Pakistan, Turkey, and Thailand. Some discounting of the 2019 crop basis on the standard Middling 1 1/8 description was noted into some markets. A total of 672,854 tons of sales have been registered by growers on the BBM from the 2019/2020 crop and 133,225 tons from the 2020/2021 crop. The 2020 crop is developing well, with rains adequate to surplus.



The Brazilian Real/USD exchange rate came under significant selling pressure on Friday with the Real moving to a new record low of 4.3325 per USD. It appears there is the fear that China's Coronavirus crisis would impact Brazilian exports. It was noted on Friday that there had been no new meat export sales to China since the crisis began, which comes after a 9.84% increase in beef exports to China in January. Internal cotton demand from the domestic industry remains weak as indicated by the ESALQ cotton index of a 41-4-35 landed Sao Paulo ending last week at 65.62 US cents on February 6th.

CHINA COTTON USE SET TO TAKE MAJOR HIT FROM ECONOMIC SLOWDOWN

Wuhan empty streets

The past week brought an explosion in the number of new Coronavirus cases and deaths across China, pointing to the government's failure to manage the outbreak or bring it under control. In addition, the first death of an American and Japanese citizen was reported. Conditions in Hubei province remained chaotic and in a state of near desperation as China appeared ready to sacrifice the entire population of 60 million people in order to attempt to contain the epidemic. The Western media has provided little if any details regarding the size of Hubei and its importance in the Chinese economy. Hubei had a GDP of more than 540 billion USD in 2019, which is about the same as Sweden or Poland. Imagine for a moment that a similar epidemic had broken out in Europe and the EU decided to quarantine the country of Poland, bringing its economy to an abrupt halt and suddenly banning its entire population from traveling or even leaving their home. Imagine morgues operating around the clock to cremate bodies in order to cover up the actual number of deaths, and families unable to have funerals or even to be told of the death of a family member. Videos leaked out of plague camps set up to house people who escaped Hubei that were being rounded up and forced to live in tents under armed military guard. Hebei authorities announced that they will pay a reward of 1,000 RMB for anyone reporting a person who has traveled from Wuhan so they could be arrested. It also surfaced that the Wuhan Red Cross has lost the trust of the people. No wonder, since they are a state-sponsored group.

The New York Times reporters, upon reaching Wuhan, found a population that could hardly believe what had happened. They met people that believed just a few weeks ago they had a secure future but now had no faith in what lay ahead and didn't know what to expect. People exhibited symptoms of a mental breakdown – they were anxious, fearful, irritated and jumpy. Starbucks and most chains are closed, and the shock soon settles in that the epidemic has originated in a modern city without a modern health care system. Pets have been abandoned and roam the streets. On February 6th, the CCP launched a massive effort in the city to round up the sick, ordering house-to-house searches and carrying them off by force so they could be warehoused in a convention center and other buildings converted into makeshift quarantine internment camps. Photos of these centers showed the people were not isolated but crowed together in mass. These efforts appeared designed solely to stop the spread and not to cure the sick. The New York Times said the actions were similar to those taken during the Spanish Flu pandemic of 1918-1920 that killed more than 50 million people worldwide. The entire Wuhan region is now facing a humanitarian disaster. Food and medical supplies are now becoming a concern. Even the new hospitals look like dormitories, with beds side-by-side and with few nurses and no doctors.

The entire episode will leave a scar on the nation and will deliver a major hit to its economy. The balance of the country is suffering as well, with many areas in a panic. Anyone discovered coming from Hubei and Wuhan is being arrested and sent to camps. There are social media reports of people in panic across Eastern China. Chinese were filmed crossing the border into Vietnam seeking refugee status after Vietnam closed the border to normal traffic and stopped issuing visas. The surprising part of this is that the Vietnam border is about 2,000 miles from Wuhan.

Wuhan hospital

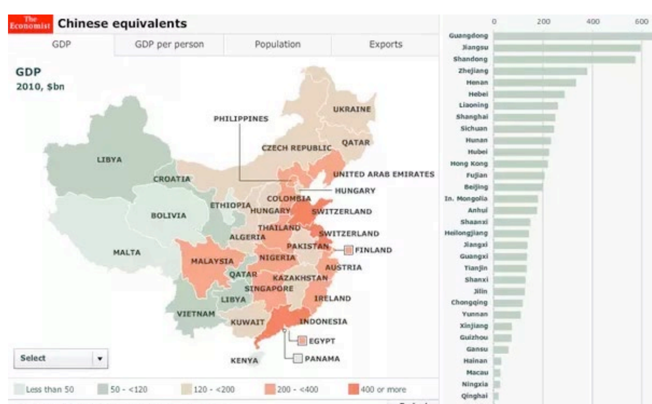
Chinese govenment introduces new electronic tag for each person under home quarantine

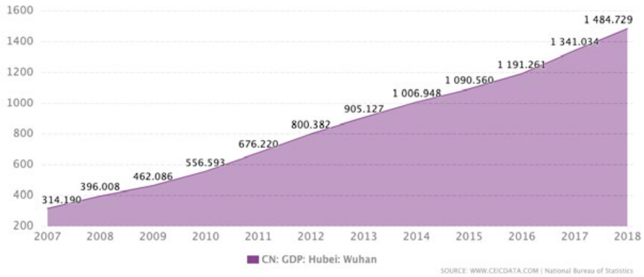
Hubei is a key automobile manufacturing center, and the closing of auto plants has caused disruptions to global supply chains. The province has several major textile groups that focus on cotton and wool. The region also has large non-woven production clusters and has large auto textile manufacturing operations. Most mills across China remained closed last week, with many expected to try to reopen February 10th, the exception being those in Hubei. The Chinese central government became so concerned about the economic impact that it said it would send staff out to assist in resuming operations. Hubei is expected to remain closed. Shortages of masks and other equipment remained a problem.

Then came the shocker when the government announced the quarantine of Shenzhen. Pictures showed police checkpoints in and out of the city of 13 million people. People were ordered to stay at home. Shenzhen is called the Silicon Valley of China and is one of the fastest growing regions in the country. In 2019, its GDP reached an estimated 350 billion USD. Shenzhen borders Hong Kong and has fourth largest port in China. This move will have a serious impact on first quarter GDP, which is now expected to print a negative growth rate.

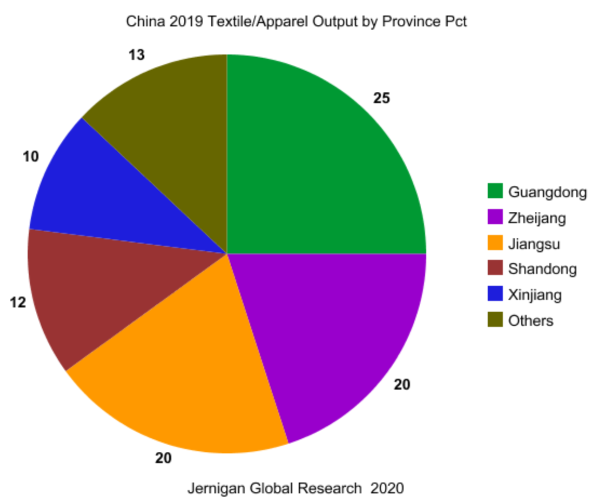
All major Chinese textile and apparel trade shows are being postponed. Shanghai Intertextile Apparel and the Fabric and Home Textiles Expo scheduled for March has been postponed. India's Apparel Sourcing Week has also been postponed.

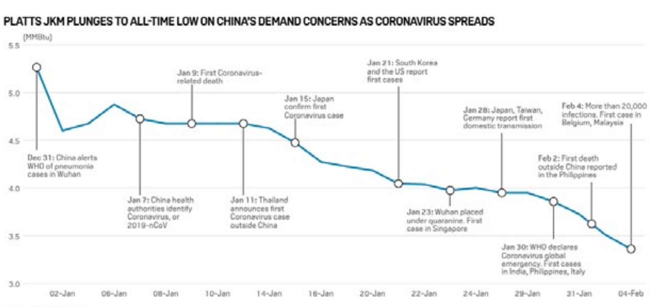
Several groups of scientists have developed algorithmic models to forecast when the virus might peak, and most of them do not expect a peak until April. For the textile supply chain, it appears many will attempt to resume at least partial operations before end of February. The USDA estimates 2019/2020 cotton consumption at 38.5 million bales, while our estimate has been 36.5 million bales. The USDA estimate suggests monthly use of 3.208 million bales, and our estimate suggests 3.042 million bales a month. With the entire industry closed for all practical purposes for most of the month, it is estimated that cotton use in February was only 20% of normal. It should be noted that Guangdong, which is the heart of many of the textile and apparel clusters, has also been effectively shut down. Its citizens have been attempting to flee to Hong Kong. This means a loss of 2.44 to 2.567 million bales in cotton use. If, in March, operations do manage to improve to 70% of normal consumption, loss will range from 755,000 to 802,000 bales in March. If the virus peaks in April and operations can return to 90% of pre-virus levels, then consumption losses in April will range from 304,000 to 320,000 bales. Then, if May operations return to normal, the level of demand and the performance of the domestic market at that time is a separate issue. However, there are a number of big 'ifs' in these estimates.





Collectively, an early estimate of the reduction in cotton use comes in at 3.5-3.7 million bales for the second half of the 2019/2020 season. The man-made staple fiber sector appears set to take a larger hit to operations than cotton. Many polyester staple plants may reduce operating capacity to 50% in March due to stock levels and weak demand. Longer-term demand is likely to be affected by the damage done to the domestic apparel market and weaker export demand.





There is no sign that the epidemic is close to being under control. Massive urban and industrial areas of Eastern China are continuing to try draconian measures to halt the spread of the virus. Tianjin, a major port city north of Shandong with a population of 11.5 million people, has announced it will restrict the movement of its population. Such restrictions will make any return to work difficult. Fears are increasing that the impact on commodity trade will cause considerable disruptions. The large state-owned China National Offshore Oil Corp last week invoked Force Majeure, or Act of God, in failing to honor outstanding contracts in LNG. This triggered panic in the LNG market, with prices falling to record lows. Guangzi Nanguo invoked Force Majeure in outstanding copper contracts and SINOPEC told Saudi Arabia to reduce crude oil shipments. The unloading of soybeans shipments has been delayed, but no Force Majeure has been reported. Indian exporters are worried about the clause being invoked in the shipments of Indian cotton now arriving at ports. The Ministry of Commerce has started issuing Force Majeure events to companies to reduce the economic impact.

The expansion of the epidemic is continuing, and there are no sign it is under control as increased cases are being reported outside of China. A crisis of confidence in the current CCP is unfolding. The death of Dr Li Wenliang is being called a turning point domestically, since the doctor was an early whistleblower sounding the alarm on the gravity of the virus outbreak. His great courage in warning the public of the disease resulted in him facing police threats and intimidation. He died from the virus after catching it from patients. He is now a national hero in China, while the government is attempting to censure stories of his heroism on social media. Nonetheless, his death has drawn national attention and led to calls for freedom of speech.

Li Wenliang, Chinese hero

COULD CORONAVIRUS REDUCE EASTERN CHINESE COTTON ACREAGE?

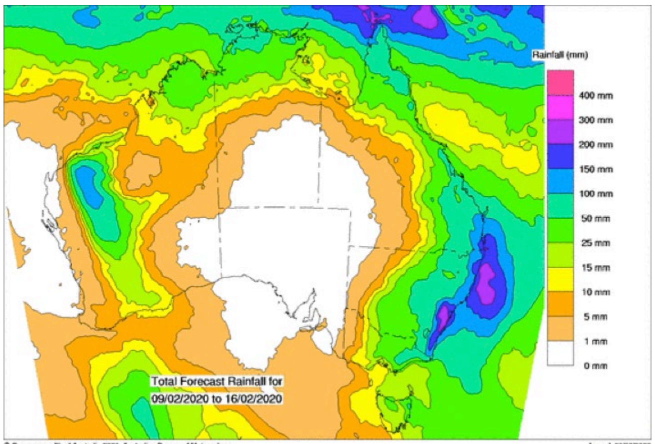
Growing cotton on the small farm plots of Eastern China has proven uneconomical for a long time, and only by providing the largest agriculture subsidy scheme in the world was cotton able to be grown after 2000. Prior to 1980 and the industrial boom of Eastern China, the Chinese cotton belt was centered on the North China Plain, with Shandong the largest producer. Production dropped sharply when the cotton target price scheme, which focused exclusively on Xinjiang, was introduced. Since then, a small subsidy has been offered, but cotton has been a difficult crop to grow on the small plots, harvested by hand since 2014. Cotton acreage has been declining almost ever year since. 2020/2021 cotton production in the areas outside Xinjiang is forecast to drop 6.1% in area from 2019/2020, with production estimated by Cotlook at 580,000 tons (2,664,810 bales). 327,000 tons (1,502,401 bales) is expected to come from Hebei and Shandong.

The Coronavirus crisis has resulted in over 50 million people being quarantined and an effort by the government to force people to stay at home. Fears of spreading the virus have upended the massive home delivery food services, resulting in a surge of cooking at home. The government is pushing for people to eat vegetables. The increased demand has, of course, caused a shortage of vegetables and led the government to launch a call for growing more vegetables. The vegetables are normally grown on small farms in Eastern China and are near the major urban centers. This effort may mean that growing vegetables will be more profitable than cotton.

It is early, but the East China cotton acreage could fall another 200,000 tons, but this small change will have limited impact on overall supply and demand. Xinjiang is currently estimated to plant 37,401,000 Mu or 2,493,400 hectares, with production of 5,050,000 MT. It is unclear if the increased vegetable production emphasis will be extended to Xinjiang.

ADDITIONAL AUSTRALIAN RAIN ARRIVES BUT DISAPPOINTS INLAND

Very heavy rains were reported in the coastal areas of Queensland and northern NSW over the past week, and the entire cotton belt of both regions is expecting heavy rains from February 7th-12th. If the forecasted amounts occur, it will be the Big Wet as 100 mm or more are very likely. Such rains will allow on-farm storage units to begin to be filled as flooding occurs, and for water to flow into the dams and reservoirs. Prior to this rain event, from 11 mm to 32 mm had been recorded during the past week in northern New South Wales, and from 15 mm to 83 mm in Queensland cotton districts. 2021 crop prospects are improving rapidly.



HIGH END APPAREL AND FASHION STORES SUFFER MAJOR ECONOMIC HIT IN CHINA

Capri is one of the world's largest high-end fashion brands and retailers It owns Michael Kors, Versace, and other brands, with 2020 expected revenue of 5.65 billion USD. It has, however, announced closing of 150 of its 225 stores in China and will take a 100 million USD hit to revenues as a result. In 2018, Chinese consumers, both at home and abroad, spent 115 billion USD on luxury goods. These sales were driven by in-store experiences, fashion shows, and other events. The Chinese luxury tourist is a significant source of revenue in the major retail centers. In Milan, they represent an estimated 35% of the market for high-end luxury items. The importance of the Chinese consumer is such that the Monte Napoleone District of luxury boutiques, 48 brands, created capsule collections dedicated to the Year of the Rat.

Due to the virus outbreak, three major Chinese fashion brands canceled their runway shows and over 1,000 Chinese canceled their trips to the Milan Fashion Week. Tapestry, which owns Coach and Kate Spade, announced it has closed its Chinese stores. It estimates that it will lose 200-250 million USD in revenue as a result of the virus. Canada Goose also announced its sales have fallen sharply in China since the outbreak, including a downturn in ecommerce sales. British brand and retailer Blueberry issued a warning that its earning will take a major dive due to the situation in China, where it receives 40% of its revenue. It has closed stores in China, and sales at the stores that remain open have fallen by 80%. Japanese cosmetics maker Shireido has also reported a major drop in sales.

The cumulative global total for the losses in luxury apparel sales from the Coronavirus outbreak is not yet known, but it could easily top 500-700 million USD.

SPECULATIVE INFLUENCE IN ICE FUTURES SET TO MORE THAN DOUBLE

The post-2008 (pre-ICE) increases in the speculative limits in cotton futures were only approved after much debate and a great deal of input from the Trade, which included growers, merchants, mills, floor locals, and the public. Each increase was limited, to ensure it did not disrupt market functions and to assure that the increase would not damage the ability of the Trade to hedge and meet the financial obligations of margin calls. Everything changed in 2008 when the ICE Exchange took over management of the New York Board of Trade and the market moved from an exchange, which operated as a non-profit organization that functioned for the benefit of the Trade and for public good. The replacement was a for-profit public corporation driven by profits. Floor locals were soon replaced by High Frequency Trading (HFT) systems and Algorithmic artificial intelligence systems that drove the speculative money. Not much is said about the massive changes that have occurred as we pass the 12-year anniversary of the handover. Young traders now accept the Algo's as the norm, and they dominate global bond, equity, and commodity markets.

The privatization of the commodity exchanges handed much of the oversight and regulatory work to the exchanges. The CFTC has been relatively quiet as the years have passed. Attempts have been made to rein in the HFT, which would attempt to create massive price movements and generate profits by spoofing the other systems with what turned out to be fake trades. One area that has seen limited actions has been expanding the speculative trading limits. That is all about to change, as the CFTC has voted to dramatically increase the speculative limit for most commodities. A 90-day comment period will occur, but it is likely these changes will be approved. The total position limit in cotton for any one entity will be increased to 11,900 contracts from 5,000. Corn, wheat, and soybeans will also see their limits sharply increased. The spot month will move from 300 contracts to 1800 contracts. This will have a significant influence in the size of Managed Fund's positions that can be considered at extremes. Up to now, for example, any Managed Fund's net long position of near 100,000 contracts would have been considered extreme, with the Funds having limited buying potential. But now that number could increase to 238,000. Thus, the speculative influence has been expanded, and you can expect much more extreme price moves. It also will provide major challenges to the Trade, which have limited credit lines to meet margin calls.

The increase is far too dramatic and should be reduced and then phased in over a long period of time to reduce the impact on the Trade. It will be a boost for option trade, which is now part of the Trade's normal practices. The increase will also allow a greater influence from the Chinese Hedge Funds that play the ZCE spreads and run large speculative positions, a big win for the ICE Exchange, the large trade groups, and the speculative interests, and a major loss for the original hedgers the market was established to serve.

VERY BRISK DEMAND FROM NON-CHINESE BUYERS CONTINUES

World trade in 2019/2020 will be marked by the dramatic increase in non-Chinese cotton demand, and both Brazil and the US are on track for hefty exports, as demand continues to be quite strong, led by Turkey, Vietnam, and Pakistan. Turkey purchased 156,300 running bales during the week ending January 30th. Turkey has now purchased 1,312,500 running bales of upland, nearly triple the amount of purchases at the same time in 2018/2019 of 549,200 running bales of upland. Turkey has also been an active buyer of Greek and Brazilian styles. Turkish cotton use is up sharply, and business has improved over year-ago levels. Turkey is also making an effort to increase apparel exports to the US. A trade fair in January was well received. Vietnam purchased 57,400 running bales of US cotton during the week of January 30th. Pakistan was again active, purchasing 41,000 running bales. Pakistan was also active last week, taking up US, Brazilian, and East African low grades and US Pima. Pakistan cotton imports are expected to be a record.

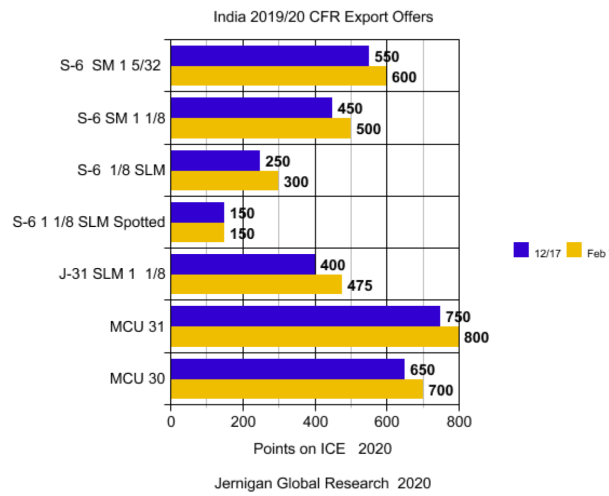
Indonesia has proven to be a very active market where, in the week ending January 30th, 29,900 running bales of upland were purchased. Indonesian mills were active last week as well, taking up US and Brazilian styles. Despite the recent activity, Indonesia has purchased only 873,800 running bales of US upland, down from 1,020,000 running bales last year at this time. Total 2019/2020 US upland export sales during the week ending January 30th reached 332,200 running bales of upland and 5,500 running bales of Pima. All this demand occurred with China canceling 2,800 bales.

All demand remains focused for 2019/2020 shipment, with sales of only 4,800 running bales for 2020/2021 shipment. Export shipments reached the highest level of the 2019/2020 season, breaching 400,000 running bales for the first time at 418,800 running bales of upland and 5,700 running bales of Pima. 26.14 weeks remain in the season, and total US export shipment reached 5,818,936 480 lb. bales, with weekly export shipments needing to average 408,610 480 lb. bales the remainder of the season to meet the USDA's target. Never have shipments averaged over 400,000 for 26 weeks, and this means it will be difficult for exports to reach the 16.5 million-bale target.

INDIAN EXPORT SHIPMENTS TO CHINA BELOW EXPECTATIONS

Indian export shipments in December totaled 103,003 tons against imports of 21,196 tons. The largest buyer was Bangladesh at 74,431 tons. Shipments to China totaled only 9,911 tons (58,300 170-kg bales). Private estimates suggest China purchased 600-700,000 bales during the December-January period. Thus, the bulk of the shipments must occur in January and February to meet the 2019 import quota deadlines. This raises lots of questions given the port delays caused by the Coronavirus crisis.

Export offers remain very competitive with import interest limited to Bangladesh, Vietnam, and Indonesia.



ICE FUTURES INFLUENCED BY THE POSTIVE MARKET SENTIMENT GENERATED BY EQUITY MARKETS

Even a global pandemic that has no cure and is killing hundreds of people a day in China could not slow the positive momentum in US and global equity markets. Algorithmic systems rule the entry points of all the major markets, whether it's cotton or the NYSE. Last week, massive amounts of cash appeared to move off the sidelines into equity markets, especially the US equity markets, as fear spread that money on the sidelines was being left behind. President Trump helped trigger much of the euphoria, as his election chances seemed to improve when the opposition appeared in complete disarray and dominated by internal conflicts. He also touted his economic accomplishments and discussed in the State of the Union the new wealth that has been created as a result of his election. The Coronavirus appeared not to be enough to end the party, with Chinese equity and commodity markets recovering from their sharply lower opening Monday after the government fund stopped the decline. The disarray created in the markets by the Algorithmic systems were on display daily. Tesla, the innovative electric car company, behaved much like a futures last week, trading a record 530 million shares with daily swings of 15% or more. The share price moved from a low over the last 12 months of 176.99 USD a share to a high last week of 968.99 USD a share, creating one of the largest companies in the world. The company has become the answer for investors seeking a fossil fuel-free future.

ICE cotton futures experienced a high correlation with equity prices last week, as the strength in these markets seemed to provide speculative buying in cotton. The market also received support from the very robust level of non-Chinese cotton demand. The volume of demand has been enough to provide key support to futures at critical times. China's ZCE cotton fiber and yarn prices collapsed on Monday with additional weakness on Tuesday. The strength in ICE then allowed prices to recover Wednesday and Thursday. The May ZCE contract closed the week at 13,105 RMB a ton or 85.16 US cents a lb. The China Cash Index closed the week at 13,437 RMB a ton or 87.32 US cents a lb. The landed China price after VAT on Friday for a Middling 1 1/8 for a US or Brazilian style was 88.00 cents, which means China's domestic prices remain below international values.

ICE futures ended the week mixed, with March gaining 25 points while May lost 17 points. Other US commodities that depend on Chinese demand also posted gains in the face of the epidemic spreading in China and economic growth collapsing. November soybeans posted a small gain just over 7 cents, while hogs were the strongest, gaining 4.4 cents. Overall, the daily action in cotton began to give the impression that non-Chinese demand is now the driver, and weakness in China may no longer be the catalyst for selling. Another commodity that has been China-centric is Australian wool. Traders in wool braced for a very tough week in the wool auctions. However, the Eastern Market Indicator gained 2.1% in USD terms, reaching 1066 cents a lb. The surprising gains were due to heavy buying by a European buyer. It appeared that many of the commodities that can be stored ended the week with small gains and some calm, as buyers chose to wait out the epidemic in China.

During the past ten years the world's economists and forecasters have stated that the Chinese economy was set to overtake the US, and that the world was dependent on China. The events of the past 12-18 months have shattered that myth. China's economic size has been overestimated, and it will not overtake the US any time soon. China's growth has turned negative, and it remains to be seen how that will impact the US. Last week, Xi Jinping told President Trump that China may be delayed in fulfilling the trade agreement, but that it will fulfill the agreement. This remains to be seen. The greatest near-term drama is centered on the shipment of the immediate Indian purchases of cotton and the open US 2019/2020 sales. Shipment of the outstanding US sales has recently been increasing. It is still unknown how soon the ports will be back to operating normally. If crews remain light, the port activity may be limited to food and medical supplies.

The CFTC data for the week ending February 4th showed that the Managed Funds were generally light sellers along with the Other Reportable Funds, while the Trade was also a small net seller. The major buyer was Swap Dealers who were large net buyers of 9,971 bales, which suggested a large March swap expired and the hedge lifted. A 12,840 contract Exchange for Swap was registered. Despite these moderate changes in ownership, the daily ICE volume was very heavy, which indicated option-related paper and the High Frequency Trading systems played a key role in last week's price movement. March options expired Friday. Certificated stock began to slowly increase ahead of first notice day in March.

Overall, we feel Chinese cotton demand will fall sharply in the first and second quarters of 2020. Also, China has entered a major recession, bringing a lot of unknowns. Outside of Chinese domestic demand, the US economy remains very strong, with Friday's jobs market extremely strong. The Chinese epidemic will impact supply chains and the Chinese factories' ability to meet orders in the near-term. Expect brands and retailers to likely press most non-Chinese capacity to the maximum, which should boost non-Chinese cotton demand further. The volume of Chinese cotton yarn imports in 2019 was robust at 1,807,432 tons, which reflected 9.965 million bales of cotton use. Vietnam/China yarn trade was quite brisk, and Vietnam remains a major supplier to the US apparel market, with business increasing. It remains an unknown how this business will be impacted. This will be critically important given that these imports represent 8.3% of total global cotton use.

The ICE market closed technically weak, and the CFTC data and the heavy spread trade suggests the options and March liquidation played a role in price action. A close in May below 67.00 should be viewed as a breakdown, but, as long as that area holds, a small trading range may develop based on the support generated by the non-Chinese cotton demand. The China ZCE contract looked for direction last week, as spinners and trade remained disrupted. It may soon begin to give a better indication of Chinese internal demand. We remain very concerned that the epidemic is still not under control in China. The quarantine is being expanded, with millions of people's lives at risk. Such conditions make us very cautious about rally prospects for Ice futures.

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