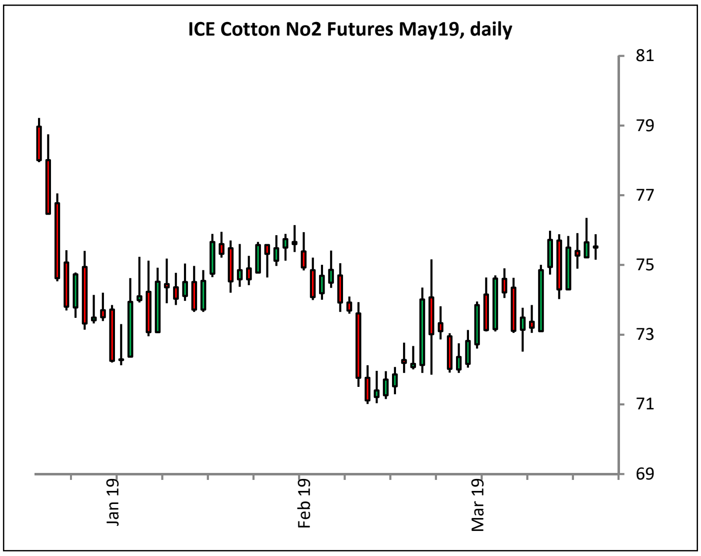
REINHART

March 21, 2019

COTTON MARKET REPORT

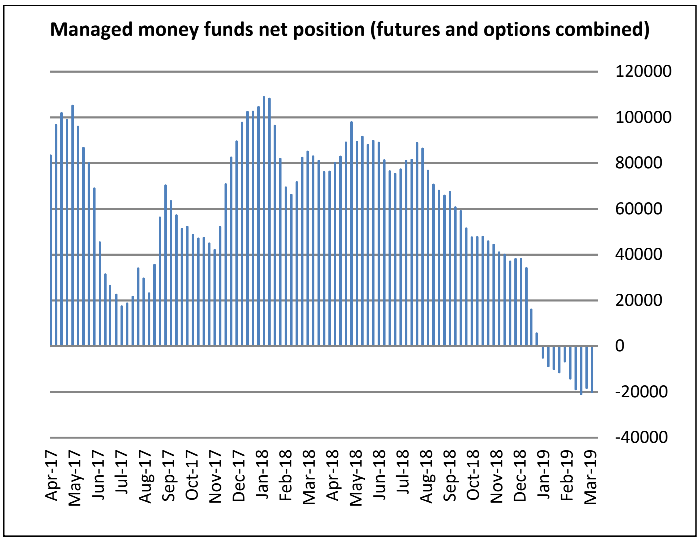
	Mar20	Mar13	change
ICE No2 May19	75.50	75.72	-0.22
ICE No2 Jul19	76.56	76.81	-0.25
ICE No2 Dec19	74.99	74.59	0.40
ICE No2 May19-Jul19	-1.06	-1.09	0.03
ICE No2 futures o.i.	224'266	221'092	3'174
ICE No2 certified stocks	106'863	112'289	-5'426
A-Index 18/19	84.65	83.35	1.30
ZCE May19	15'345	15'310	35
MCX Cotton Apr19	21'530	21'510	20
USD Index	95.761	96.550	-0.789

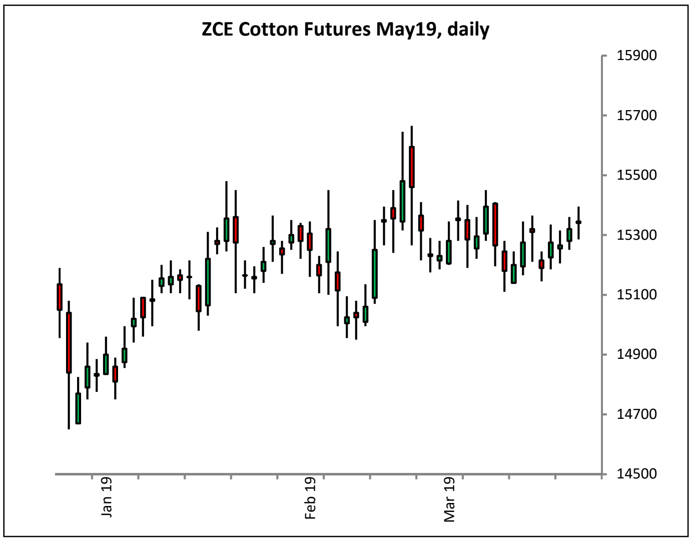


ICE Cotton No.2 – It has been a quiet and uneventful week so far. The market appears increasingly tired of talks and rumours concerning the trade negotiations between the U.S. and China. The uncertainty of the outcome is certainly keeping a good number of participants unwilling to engage themselves in a more distinct fashion.

The market has been testing the resistance area sitting around the 76.00 level already since mid of last week but somewhat surprisingly it has failed to generate a serious break attempt.

Settling and building value above 76.00 calls for a move to the 77.50-78.50 key resistance area. Support is at 74.00-73.75 followed by 72.50 which if convincingly broken may open the door to a move below the February lows (71.00).





USA – The firm market has allowed a fairly generous amount of grower to merchant business conclude over the course of the past two weeks but now fresh offers from producers are showing signs of diminishing, a telltale sign that the bulk of the trading season is behind us. Other fundamental influences this week included a few positive sounding opinions about progress towards a resolution to the U.S.-China commodity tariffs. This seems to be a weekly topic without any concrete news. Focus on the 2019/20 crop will soon be at the forefront with the March planting intentions report set to be released at the end of the month. Cotton prices remain very competitive compared to grains and oilseeds, and history suggests that when corn prices are this low in relation to corresponding cotton futures, one could expect cotton planted acres pushing towards the maximum reasonable acres. NOAA is forecasting El Niño conditions through the summer and fall which is consistent with the wetter winter weather that we have already observed. This raises the possibilities of increased soil moisture accumulations, lower abandonment, and higher yields for spring-planted crops in the drier regions of the Cotton Belt. Assuming reasonable abandonment and average U.S. yield, planting 14 million acres could produce a 23 million bale crop, which implies a very healthy supply of 27+ million bales.

India – Gujarat 29mm cotton traded firm from last week, reported around INR 44’000 per candy equivalent to US Cents 84 per lb FOB Mundra based on prevailing exchange rate. The USD-INR pair continues to trade firm and tested the 7-month low at 68.34, mainly due to overseas fund inflows into Indian equities and positive trade deficit data. In short term, we can expect recovery to 69.50 to 70.00 area, but the overall trend remains for a stronger Indian rupee. The Indian trade balance for February comes in at a deficit of US$ 9.6 billion, narrowed by US$ 5.1 billion from last month.

Technical view - Cotton 29 mm MCX (April contract) shows that the market is now above the 20-day EMA, which suggest that the intermediate term trend is up. The immediate resistance sets at 21’900-21’950 and support is at 21’000-21’050.

China – The ZCE cotton futures market is still stuck in a narrow-ranged consolidation. The short-term technical outlook remains neutral. Based on the May19 contract, support is at 15’000, then at 14’650 and 14’300. Resistance is at 15’500, then 16’000, 16’520.

China-US trade talks are to be continued until early next month; before a clear resolution to the dispute, market participants remain in a defensive mode. ICE stayed at relatively high levels which caused a slowdown of import demand, although spot consignments are sold actively as long they are competitive to domestic cotton. A general problem is quota availability. While ZCE remains in its trading range, prices for physical cotton have increased somewhat, both in Xinjiang and the Eastern provinces.

In further confirmation to the bad business during the first 2 months of 2019, Chinese textile exports have been reported down by 8.1% compared to the same period of last year, whereof yarn/knitwear/garments reduced by 15.4%. Since the Chinese New Year, many spinning mills report a better demand situation; but for now, there is no statistical evidence.