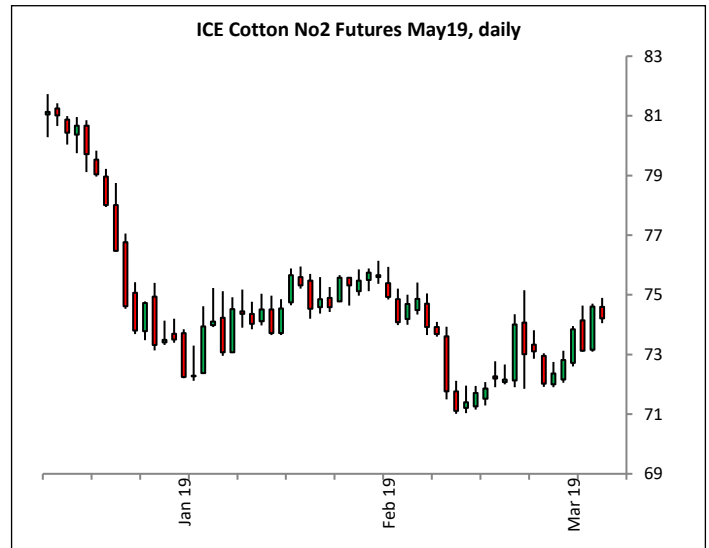


## COTTON MARKET REPORT

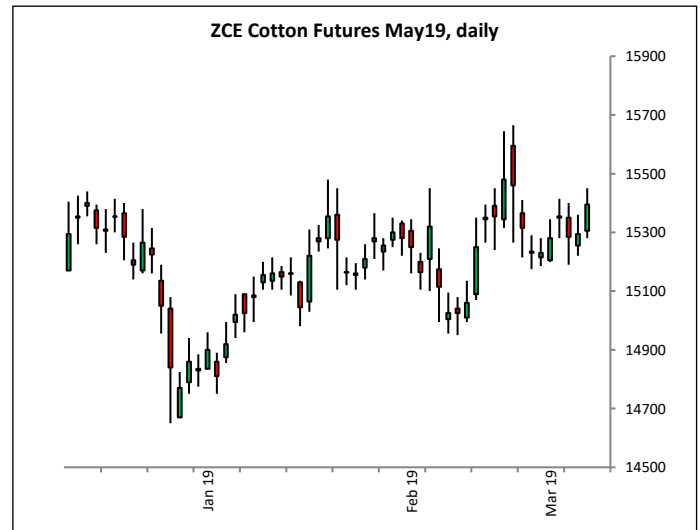
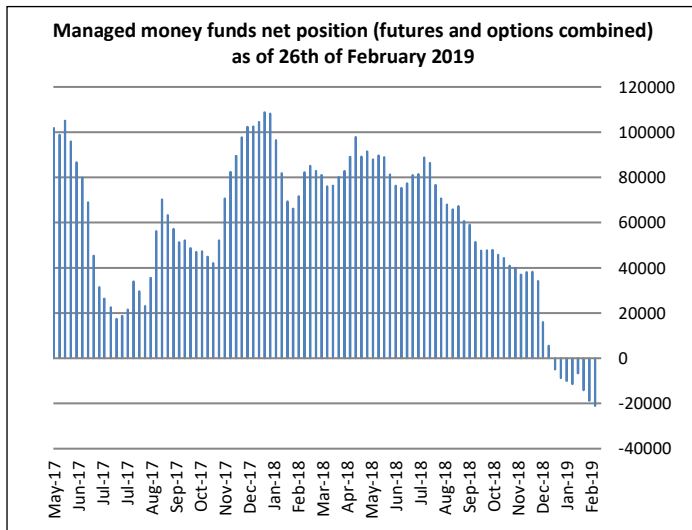
	Mar06	Feb 27	change
ICE No2 May19	74.21	72.36	1.85
ICE No2 Jul19	75.22	73.58	1.64
ICE No2 Dec19	73.56	73.00	0.56
ICE No2 May19-Jul19	-1.01	-1.22	0.21
ICE No2 futures o.i.	223'290	220'435	2'855
ICE No2 certified stocks	131'497	127'885	3'612
A-Index 18/19	82.65	80.10	2.55
ZCE May19	15'395	15'230	165
MCX Cotton Mar19	20'970	20'480	490
USD Index	96.873	96.154	0.719



**ICE Cotton No.2** – The market traded firmer this week mainly on reports that the United States and China are close to signing a trade deal which would possibly end a tit-for-tat tariff row that has roiled markets. Optimism appears high that an agreement would be finalized still this month.

Since the end of February, the market has moved from short-term support (72.00) to currently resistance (75.00). Traded volumes have improved compared to last week. Specs (managed money funds) have likely liquidated a part of the recently established shorts, particularly during Tuesday’s session which saw the market trade from roughly 73.00 to 74.70 (based on the May19 contract).

Technical picture: Settling and building value above the resistance sitting around the 75.00 level calls for a move to 77.00-78.00. Failure to break it soon should force prices lower to at least the support at around the 72.00 level. A break below 72.00 followed by confirming action sets 69.50 as 1<sup>st</sup> down-side target.



COTTON MARKET REPORT

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**USA** – As mentioned on page 1, ICE futures managed to sustain a rally just outside of the recent trading range this week we believe generally buoyed by speculative buying and continued talk of imminent agreement between the US and China. Details are sketchy; however, talk is that there will be next-to-zero tariffs remaining on agricultural goods sold into China. Chinese goods coming into the US will remain under tariff until policing progress on Intellectual Property rights can be verified. In addition, it is thought that the existing TRQ system will be abolished over the next two years in favor of a flat 5% import fee to somewhat protect Chinese farmers. On the heels of an improved market this week, as can be expected, grower to merchant business has been brisk with at least several hundred thousand bales changing ownership. On the surface indications of a firmer in-country basis are apparent as the more desirable qualities become more and more scarce. Grower offers through the various platforms of marketing seemed to have peaked for the season as fresh offers are not keeping up with confirmed business. Friday's upcoming WASDE report should shed some fresh insight to how the USDA sees Supply/Demand for the balance of the season.

**India** – Domestic prices traded firm during this week, mainly due to lower daily arrivals and good demand for Indian cotton from China. All India cotton supplies are reported to be about 135 thousand bale per day. Export business for 1.5/32 G5, is reported to be around US cents 79-80 per lb CIF China main ports, with 90 days LC for prompt shipment. The USD/INR pair rebounded around 1.25% against US Dollar, with easing of geo-political tensions with Pakistan and a positive macroeconomic outlook.

**China** – The ZCE cotton futures market has not done anything worth of mentioning during the reporting week. The recent trading range of 15'000-15'500 (basis May19 contract) is still valid. Thus, the short-term technical outlook remains neutral. The longer-term picture is bearish; however, the market seems to have a bottom in place (at least a temporary one). Support is at 15'000, then at 14'650 and 14'300. Resistance is at 15'500, then 16'000, 16'520.

The ongoing annual National Congress Conference contained some good news to stimulate the economy. One is the reduction of the VAT for the manufacturing industry from 16% to 13%. Textile mills will benefit from this policy. China's stock market rebounded nicely this week while the cotton market continued relatively quiet. According to official figures, by March 6, total 5.1 million tons of cotton have been ginned in Xinjiang. Due to higher ICE as well as lack of import quota, import demand is cooling down.