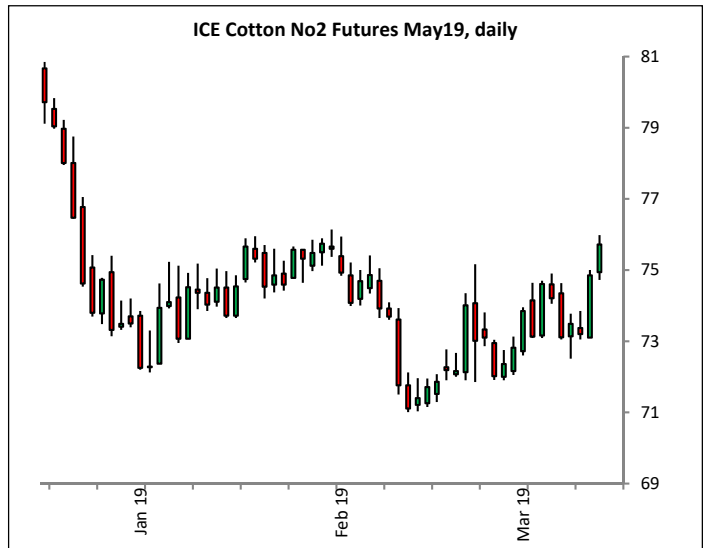


## COTTON MARKET REPORT

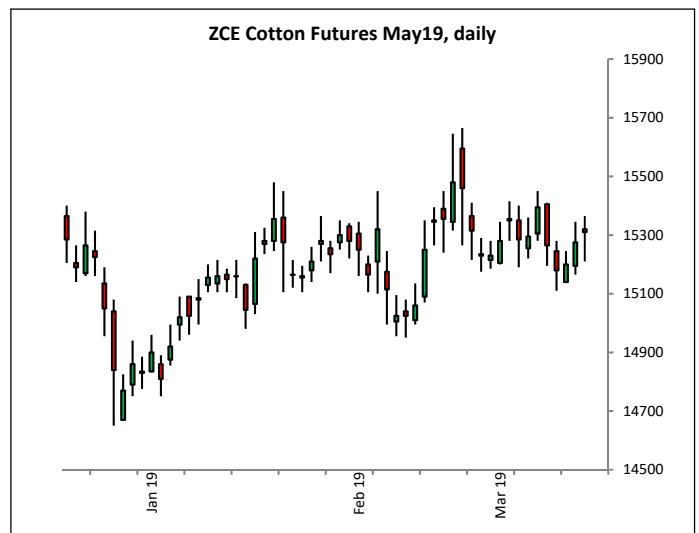
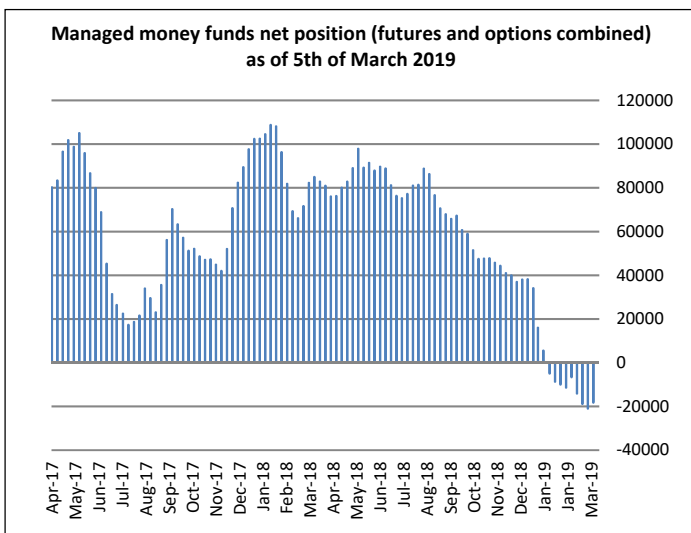
	Mar13	Mar06	change
ICE No2 May19	75.72	74.21	1.51
ICE No2 Jul19	76.81	75.22	1.59
ICE No2 Dec19	74.59	73.56	1.03
ICE No2 May19-Jul19	-1.09	-1.01	-0.08
ICE No2 futures o.i.	221'092	223'290	-2'198
ICE No2 certified stocks	112'289	131'497	-19'208
A-Index 18/19	83.35	82.65	0.70
ZCE May19	15'310	15'395	-85
MCX Cotton Mar19	21'220	20'970	250
USD Index	96.550	96.873	-0.323



**ICE Cotton No.2** – The past two sessions saw the market performing strongly amid improved trading volumes. Prices managed to move above short-term resistance (75.00) and have essentially reached this year’s high (based on the May19 contract). The advance occurred without any truly noteworthy news. It appears that the failure to generate down-side momentum has motivated funds to start liquidating shorts in a more aggressive fashion.

For the time-being the recent advance can be viewed as a (mostly) short-covering affair which however has more up-side potential. A good break above 76.00 may lead prices to the key resistance area sitting around the 78.00 level.

For the short-term positive outlook to remain valid, the market should preferably not settle below 74.00-73.75.



COTTON MARKET REPORT

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**USA** – The U.S. Department of Agriculture (USDA) chose not to make any changes to the U.S. Supply/Demand outlook for the 2018 season in its latest estimate. The crop is unchanged at 18.39 million bales, and we could expect only minor adjustments going forward. Exports were also left unchanged at 15.0 million bales. Time will tell how this develops with one barometer to watch will be weekly shipments. Ending stocks continue to be estimated at 4.30 million bales.

March 29<sup>th</sup> USDA will give its first official estimate of cotton's intended planted acreage for the upcoming season. With ongoing wet field conditions in South Texas and some portions of the Delta and Southeast where it has been too wet to sow corn, there is a possibility that cotton could be the beneficiary. This week West Texas received a brief respite from the dry winter as a nice rain event moved through the area, a nice bonus at a time of the year when it's typically very dry and windy.

**India** – Prices continued to trade firm taking cues from International market and good demand for Indian cotton from China. The Cotton Association of India (CAI) released their latest Demand & Supply figures for 2018-19 (October- September period) season whereby the cotton crop estimate was reduced to 32.80 million bales against previous estimate of 33 million bales. The total procurement of cotton under the MSP operation by the Cotton Corporation of India (CCI) reached 1.1 million bales. The Indian rupee is testing two-and-a-half months high due to strong foreign inflows into Indian equities and weaker greenback against key rival currencies overseas.

**China** – More of the same, a sideways consolidation at the ZCE cotton futures market is ongoing. Prices have been confined within a 300pts range this week. 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.

Despite some recent optimism about a resolution of the trade issues, physical markets in China didn't follow ICE on the way up. There are still huge stocks of unsold current crop Xinjiang cotton around; the latest survey by the China Cotton Association shows commercial stocks of over 4.5 million tons by end February. Adding 798'000 tons certified stocks for ZCE, plus stocks at mills and various unreported stocks, total free stocks available to the market (not in the Reserve) may well amount to 6 million tons or more. Surprisingly though, offering levels of Xinjiang cotton remain at rather high levels reflecting a steep premium over imported cotton at 1% TRQ quota.

So, in theory, imported cotton is attractive; but in practice, business has been mostly confined to nearby lots. The main reason is the lack of quota, which forces mills to pay overly high prices for domestic cotton. Although reportedly the whole quantity of 894'000 tons TRQ quota has been issued, most mills have received only a fraction of what they got last year; apparently a large part of the quota has been given to state trading companies. There have been rumors about additional quota being issued, but no confirmation so far. More rumors have also been circulating about the Reserve resuming sales in May, but also there hasn't been any official announcement yet.

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