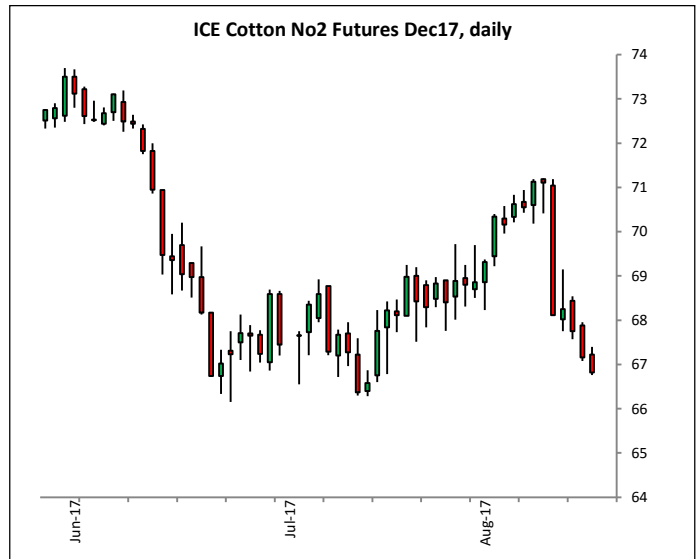


## COTTON MARKET REPORT

	Aug 16	Aug 09	change
ICE No2 Dec17	66.82	71.11	-4.29
ICE No2 Mar18	66.72	70.76	-4.04
ICE No2 May18	67.37	71.03	-3.66
ICE No2 Dec17-Mar18	0.10	0.35	-0.25
ICE No2 futures o.i.	218'749	219'092	-343
ICE No2 certified stocks	17'315	20'135	-2'820
A-Index 17/18	77.70	81.35	-3.65
ZCE Jan18	15'215	15'375	-160
M CX Cotton Dec17	17'750	18'420	-670
USD Index	93.541	93.548	-0.007

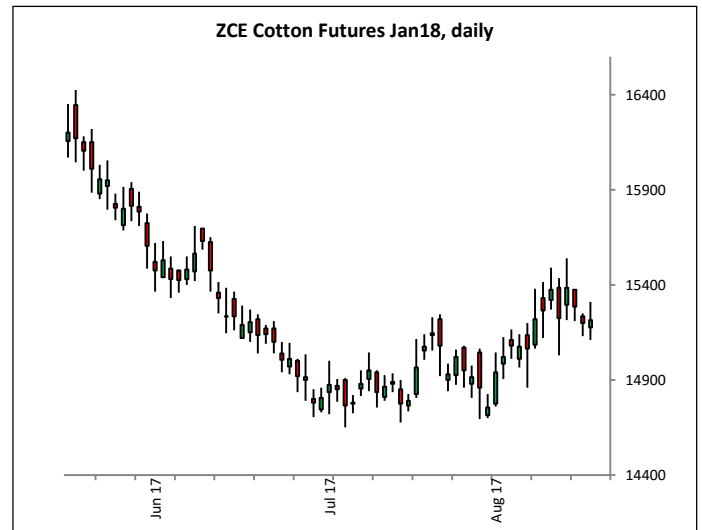
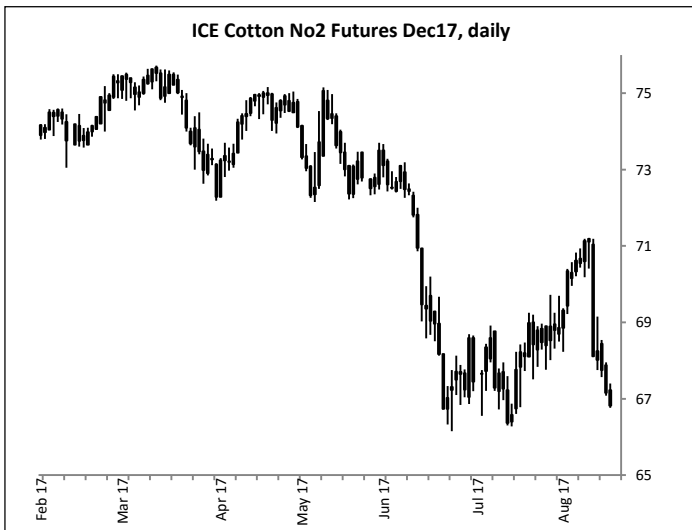


### ICE Cotton

Futures prices have continued to move lower albeit in a less impulsive fashion and amid smaller volumes than witnessed last week following the release of the USDA’s supply and demand data.

On a purely short-term basis: without aggressive and persistent spec selling the down-side potential appears limited as there is quite decent physical related support under current levels for now. Therefore, prices may start to consolidate and try to correct part of the recent decline. However, counter-trend advances should find it difficult to move lastingly above 69.00-70.00.

Overall, the big picture shows that the decline from the March highs (based on the Dec17 contract), and given the way the move from the July lows to August highs unfolded, may not be complete yet and therefore a move below the June low (66.15) certainly represents a valid scenario.



COTTON MARKET REPORT

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**USA** – In an effort to digest last week’s crop estimate, the Farm Service Agency branch of USDA reports planted acreage of 12.275 million acres, 220’106 acres above the official number. The FSA numbers will eventually be accepted as the agency provides the verification of actual acreage to use in farm payments and is viewed as the ultimate authority in planted acreage. For now, USDA crop estimators did not adjust planted acreage for the US leaving it at 12.06 million acres even though the FSA data suggests the actual planted acreage will be increased in the September and forward USDA estimates. The FSA also reported that 852’784 acres had failed with 820’176 of those acres in Texas. With the U.S. crop now estimated at 20.55 million bales with an average yield of 892 pounds per acre, this would equal the record U.S. average yield achieved in 2012. Eight states are currently projected to have an average yield above last year as growing conditions have been almost ideal for these states. Twelve states are expected to have a yield above their 5-year average. Texas yield is projected at 742 pounds per acre compared to 749 pounds last year, so really not a lot of change in relation to last season’s final average. Current conditions remain conducive to crop development as it continues to rain in portions of West Texas and other regions which for now can be viewed as helpful, however the West Texas region for sure needs sunshine and heat units to reach full potential.

**India** – According to the Agriculture Ministry, Kharif crop sowing area as per August 11 reached 94.345 million hectares, against 93.645 million hectares in the same period a year ago. Cotton has been sown in 11.711 million hectares versus 9.903 million hectares same period a year ago. As per sources, crop stress due to deficient rains in various parts of Maharashtra and Karnataka has been noticed. Light rains were observed in the past few days, but the growing belts require a good spell of heavy rains in order to respite the crop from lack of moisture. Various weather forecast models shows possibilities of scattered rains to continue over next few days while heavy rains could likely occur after the third week of August. This will be beneficial for the overall standing Kharif crops. Cotton 29 mm MCX futures (Oct. contract): the failure to break above the short-term important resistance, which rests around the 19’000 level, has forced prices lower to about the middle of the range in force since mid-June. In the short-term expect prices to remain within the 19’000-17’800 range.

**China** – After having tested the 15’550 resistance (basis Jan18 contract) at the beginning of the week, ZCE has slightly pulled back to the nearby support at 15’000. The short-term outlook remains positive as long as price do not break below 15’000.

Domestic market prices in China didn’t follow the decline of the ICE and remained broadly unchanged. Buying at the Reserve auctions continues very active, both from traders and mills. At the discounts available for old crop cotton, the price/quality relation appears quite attractive, especially since the Army group is expected to start out their new crop offering at considerably higher prices than last year. With international prices now back at lower levels, some import demand is coming back. It has been officially announced that all import quota which is expected to remain unused has to be given back by 15. September; usually that is redistributed after the National holidays in the first week of October. Quota holders who don’t give back their quotas and then don’t use it until expiration will get less quota next year.

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