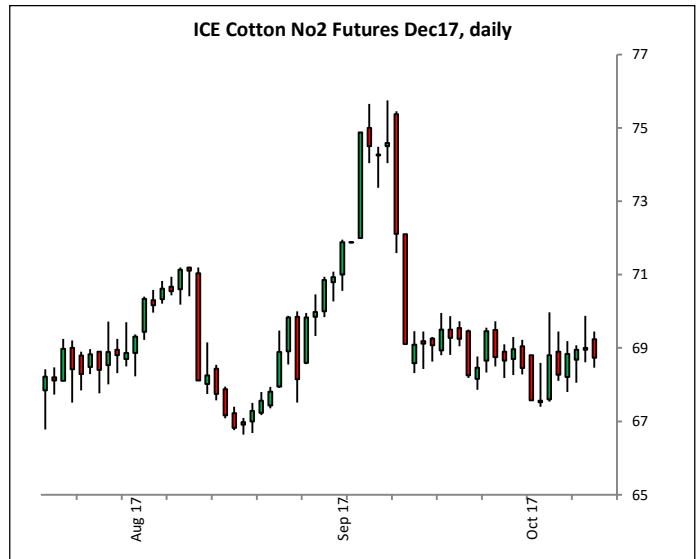


COTTON MARKET REPORT

	Oct 11	Oct 04	change
ICE No2 Dec17	68.73	68.80	-0.07
ICE No2 Mar18	68.30	67.91	0.39
ICE No2 May18	69.00	68.62	0.38
ICE No2 Dec17-Mar18	0.43	0.89	-0.46
ICE No2 futures o.i.	229'455	229'503	-48
ICE No2 certified stocks	6'003	4'234	1'769
A-Index 17/18	78.80	77.60	1.20
ZCE Jan18	15'050	15'150	-100
MCX Cotton Dec17	18'370	18'180	190
USD Index	93.015	93.458	-0.443

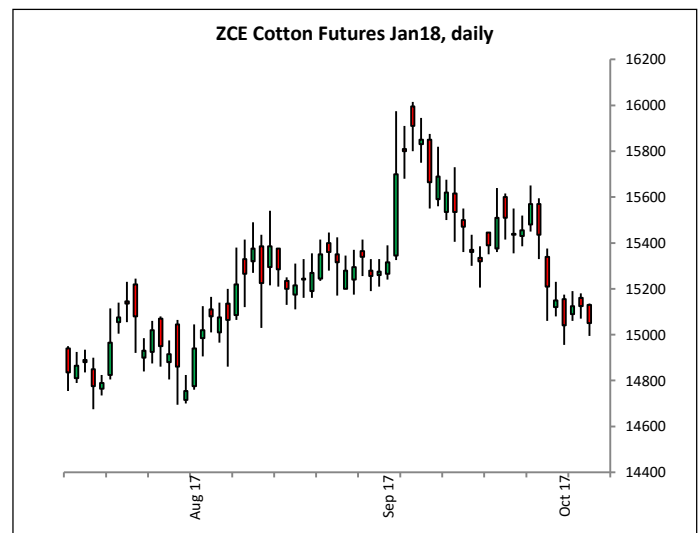
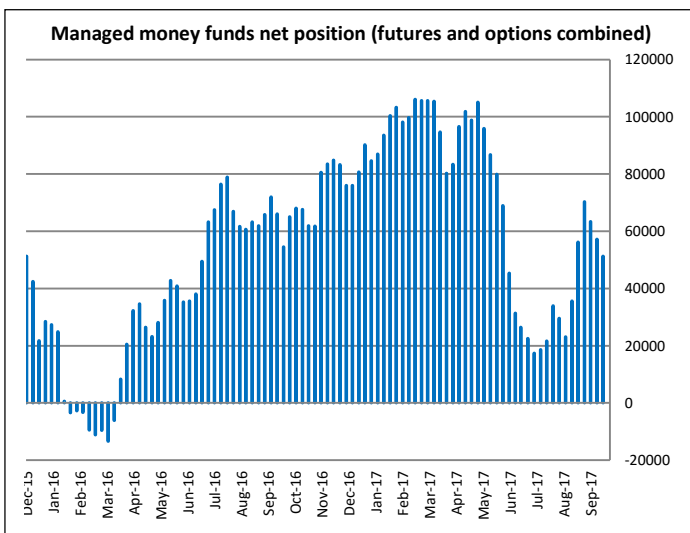


ICE Cotton - This week the market made another attempt to break above the 70.00 level (based on the Dec17 contract), but failed to find enough strength and conviction to do so. Overall, the activity has remained rather subdued with prices still trading within the sideways range in force since mid-September.

The focus is obviously on today's USDA Supply and Demand report (to be released later today) and particularly its U.S. production figure. Opinions on how much crop damage the recent hurricanes did vary considerably. Based on private surveys it seems that the average guess sits at 21.2 million bales, or about 0.6 million bales lower than the September figure.

Since the sharp break lower from the early September highs, managed money funds have liquidated about 15'000 lots of longs and added 5'000 lots of shorts, i.e. reducing the net long position from about 70'000 lots to 50'000 lots. While this is not an excessive long position, a deterioration of the current technical picture would certainly trigger more fund selling. On the other hand, if prices should manage to convincingly move above short/mid-term key resistance levels, they have room to add to longs.

Technical picture: primary trend is neutral-bearish. Resistance is at (around) 70.00, key1 at 71.50-72.50 and key2 at 73.50-74.00. Support is at 68.50-68.00, then 67.40-66.50.



COTTON MARKET REPORT

USA – The overall US cotton condition report has improved this reporting week to 60 % for the good to excellent category. In comparison to last year especially Texas with 56 % in this category is 12 % higher than last year. Harvesting is at 25 %, which is ahead of last year (21 %) and the 5-year average (19 %). Hurricane Nate made landfall over the weekend in Louisiana and Mississippi as a minor category 1. The path moved north-eastward very quickly after making landfall taking the storm over Alabama. With most of the crop open at this stage and very little harvested rain is not welcome at this point. We heard of very little damage to the crop associated with the storm, but quality will most likely be compromised on the fields that received heavier rain amounts. A powerful cold front moved through West Texas begin of this week and lows touched in some areas freezing temperatures. It was though not a hard freeze which is good news, but farmers continue to be concerned over how the cold temperatures are impacting quality/maturity of the fiber. Farmers across the country are busy with harvesting and trading activity is very limited.

India – During the week, heavy rains were reported across Maharashtra and Southern India which impacted harvesting progress. Moreover, supplies are likely to be slow in the third week of October due to Diwali festival holidays. Daily all India new crop supply have reached 45'000 bales per day basis. Overall market sentiment persists amid large crop prospects and supply pressure anticipation from mid-November. MCX October cotton future contract broke the important resistance of 18'700 and prices moved to 19'600 and above short-term moving averages.

China – Following week-long holidays the ZCE cotton futures market opened on a weaker note. Prices have been testing the 15'000 support (basis Jan18 contract). A confirmed break below would set the next downside target at 14'650 (contract low).

Market has remained stable after the long national holidays. Xinjiang cotton picking is in full swing and seed cotton prices are slowly getting lower. The quality looks very good, however, micronaire is on the high side. Mills are hesitating to buy in big volume as most of them still have over one month stocks.

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