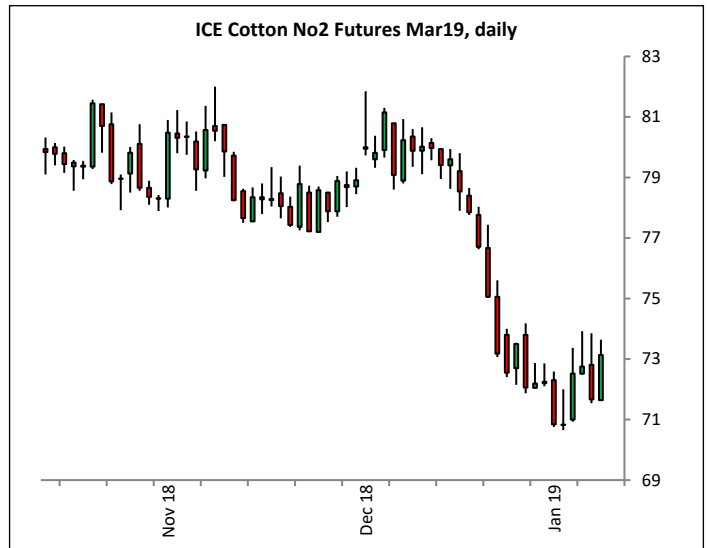


COTTON MARKET REPORT

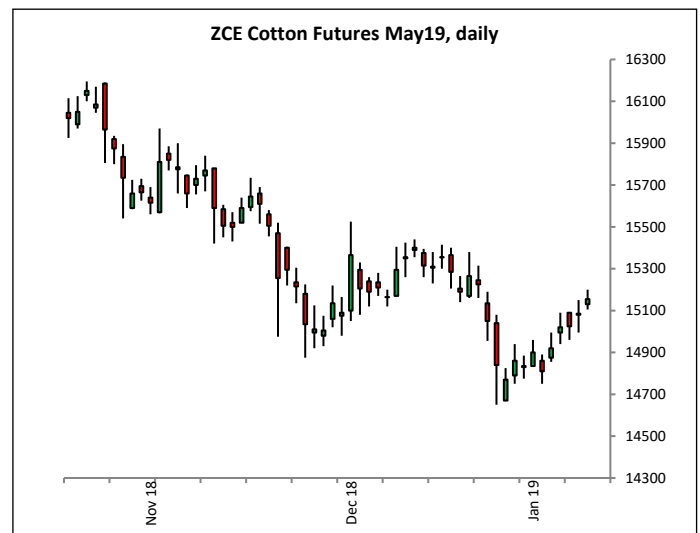
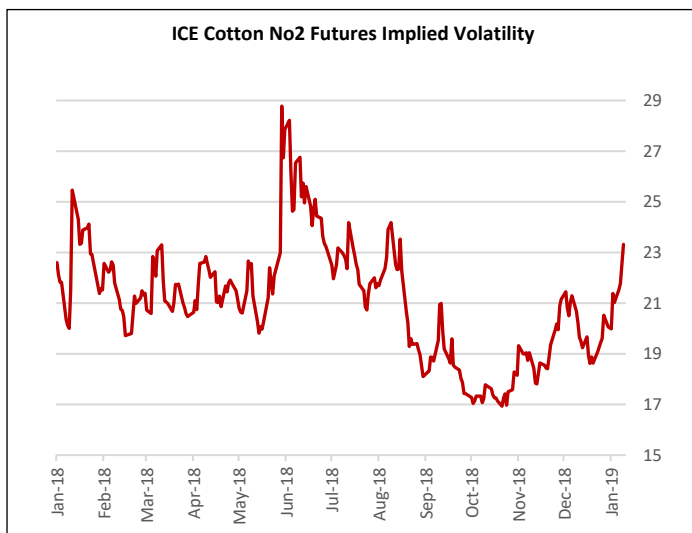
	Jan 09	Jan 02	change
ICE No2 Mar19	73.13	70.84	2.29
ICE No2 May19	74.52	72.25	2.27
ICE No2 Jul19	75.66	73.58	2.08
ICE No2 Mar19-May19	-1.39	-1.41	0.02
ICE No2 futures o.i.	224'007	218'000	6'007
ICE No2 certified stocks	124'937	136'347	-11'410
A-Index 18/19	81.90	80.80	1.10
ZCE May19	15'155	14'810	345
MCX Cotton Dec18	20'920	20'970	-50
USD Index	95.219	96.819	-1.600



ICE Cotton No.2 - Since our last report, cotton prices traded between 74.00 and 71.00 c/lb, with 71.00 being the lowest level since end of November 2017 (basis Mar19 contract). A decisive move above 74.00 c/lb would confirm that a (temporary?) bottom is in place. Implied volatility is up by 7 % from the lows in October 2018 (see chart).

The paramount impact to intraday moves however remains the trade talk between the U.S. and China, in general political and economic uncertainty, and how one judges the possibility of a possible outcome. Additionally, the partial government shutdown in the U.S. prevents trade participants from getting several reports, among them the USDA World Agriculture and Supply (WASDE) report, which was due tomorrow, 11th January and will not be released. Going forward, the market is expected to be more volatile than in the past months and with a greater chance of stronger moves to either side due to outside developments which have little in common with technical factors.

Technical picture: Support at 71.50-71.00 c/lbs, resistance at 74.00 c/lbs, then 76.50-77.50 c/lbs (key1) 82.00-82.50 key2.



COTTON MARKET REPORT

USA – This week brought some more farmers to the market, but volume is still well below what it should be for this time of the year. In general, farmers are still waiting for better prices, but the spot market should continue to pick up if ICE continues rising. US farmers are mainly grabbing onto the recent news about positive trade talks between the US and China, which keeps them from lowering their price ideas, while at the same time there seems to have been increased activity in the export markets.

India – The Cotton Association of India (CAI) released their latest Demand & Supply figures for 2018/19 (October- September period) season whereby the crop estimate was ‘slashed’ to 33.5 million domestic bales. The reduction came in mainly because of a lower crop output in Gujarat, Maharashtra & Telangana and the dryness in the major producing. The yearly balance sheet projected total cotton supply of 38.50 million bales, domestic consumption is pegged at 32.00 million bales, exports at 5.10 million bales and the carry-over stock at 1.4 million bales. Arrivals for the 2018/19 crop (October-September period) reached 10.02 million bales till 28th of December, which represents about 30 % of the supplies arrived in the market (based on a CCI crop estimate of 33.5 million bales).

On the technical front, the cotton 29 mm January contract at MCX shows some recovery. However, still the trend is down as prices are trading below 20-day EMA on the daily chart. The near-term resistance is set at 21’600-21’650 and the nearest support at 20’600-20’650.

China – After having hit a new contract low at 14’650 (basis May19 contract) at the end of the 2018 the ZCE cotton futures market has been slowly recovering and managed to build value above the 15’000 level. The short-term outlook is neutral with the next minimum upside target at 15’500.

Downstream demand keeps suffering from general weakness in the Chinese economy, as illustrated by recent reports about lacking consumer confidence, weaker car sales and wobbly real estate prices. On the other hand, spinning mills have considerably reduced their cotton inventory, and there has been some evidence of better demand for nearby deliveries. In general, Xingjian cotton is still more attractive to mills than imports, especially if the sliding scale quota has to be used for Middling and lower grades; but nevertheless, the weaker ICE during last week allowed the liquidation of some Australian consignment stocks in Qingdao. In the past few days, there has been some renewed optimism in the market due to hopes for a solution to the trade war; it remains to be seen whether those hopes will come true.