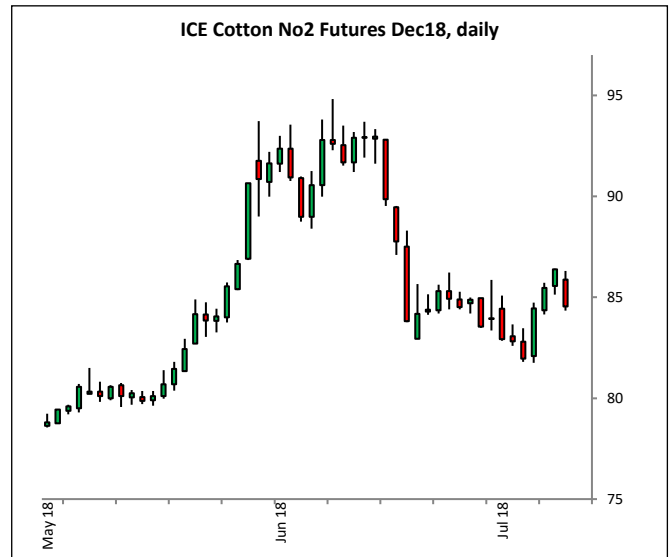


## COTTON MARKET REPORT

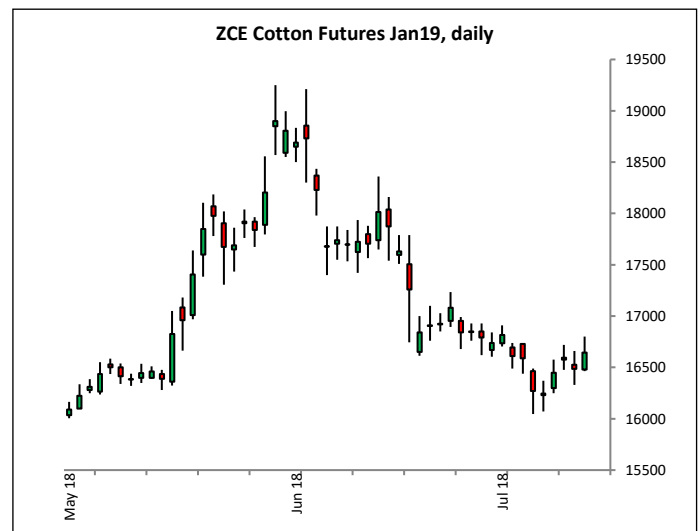
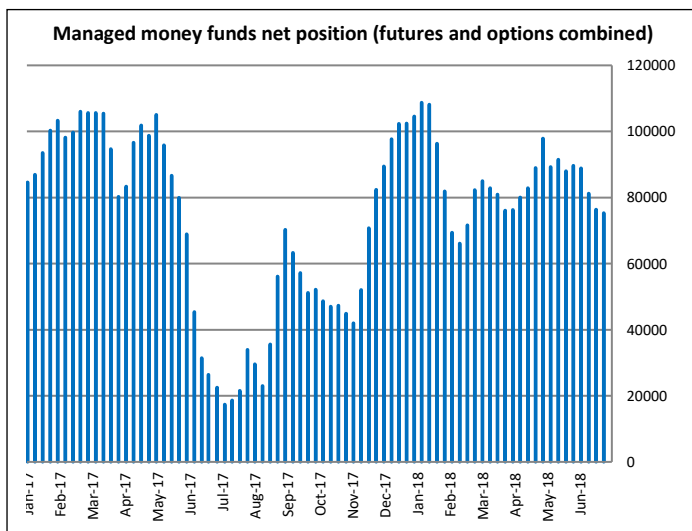
	Jul 11	Jul 04	change
ICE No2 Dec18	84.54	82.81	1.73
ICE No2 Mar18	84.35	82.48	1.87
ICE No2 May19	84.23	82.63	1.60
ICE No2 Dec18-Mar19	0.19	0.33	-0.14
ICE No2 futures o.i.	252'356	254'621	-2'265
ICE No2 certified stocks	32'987	91'766	-58'779
A-Index 17/18	96.45	92.85	3.60
ZCE Jan19	16'645	16'270	375
MCX Cotton Jul18	22'710	22'460	250
USD Index	94.719	94.531	0.188



**ICE Cotton No.2** – Futures prices broke 83.00-82.50 support but were unable to confirm the break to the downside (basis Dec18). The halt came just at the long-term trend line, which is still intact. The following bounce off the support line reached up to the 86.00 resistance. In a nutshell, trading was unspectacular and volume numbers resemble those of last week, with at times hardly reaching 20'000 contracts. While the market seems technically well supported in the low 80ies, it cannot be excluded that particularly the trade dispute between the U.S. and China will bring more volatility back to the market. We consider the surprise potential to be more substantial to the upside, since a lot of the negative impacts appear to be priced in.

Physical market: demand seems to increase on a generally low level, with a tendency to more nearby enquiries for 3<sup>rd</sup> quarter 2018.

Technical picture (basis Dec18): short-term trend neutral, long-term trend up. Support at 84.50, 81.50 and key at 77.50. Resistance at 86.00, key at 89.00.



COTTON MARKET REPORT

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**USA** - This week USDA releases its monthly Supply/Demand report which will be the last one before beginning the 2019/19 marketing season. Minor adjustments can be expected this month; however, the August report will give detailed state by state analysis and the first meaningful estimate for next season's crop. In the meantime, we continue to take note of some poor conditions, particularly in Texas, Oklahoma and North Carolina. Texas is rated at only 21% good to excellent. Additionally, 42% of the crop is in the category of very poor to poor. It is also worthy to note that conditions in Oklahoma and North Carolina are respectively rated 25% and 21% poor or worse. Overall, there is a big difference to last year's condition report. Only 41% of total US is in the good to excellent condition, whereas last year same time conditions were 61% good to excellent. Due to the lingering drought conditions it is unlikely that conditions in Texas and Oklahoma will show much improvement, as it appears that it is too late for any moisture to be of much help.

**India** – Cotton prices traded firm on a slow new crop planting pace and better demand for current crop from domestic mills. As per the agriculture ministry's data, all kharif crops planting were lagging behind by 14% to the same period of last year. The cotton acreage is down by about 24% to 5.5 million hectares as of last week, compared with 7.18 million hectares one year ago. Gujarat, which is a key cotton producing state, has accumulated a large rain deficiency till date. However, most market participants are optimistic that sowing will pick up in pace during the remaining sowing period - should the crop receive sufficient rains over the next two weeks.

The Cotton MCX Oct contract (new crop) broke the important resistance level of 23'000-23'150 during the week. Prices are expected to trade higher in the coming days and may test 23'500-23'600 in the near term. Near term support seen at 23'000-23'100 and resistance at 23'750-23'850.

**China** – The ZCE cotton futures market bounced off the upper end of the 16'000-15'500 support area (basis most active Jan19 contract) and is currently testing the former support/new resistance at 16'650. A confirmed break above would set the first key resistance at 17'240 as the next minimum upside target.

Now that the trade war between the USA and China has started, the market has become quiet and ZCE seems without clear direction. On the other hand, the RMB has weakened further making cotton imports more expensive which is another limiting factor to consider foreign cotton. The release of the SSD quota is further delayed to about mid-September due to administrative issues. Sales of reserve cotton continue smooth at a pace of about 50% of the offered volume. Financial constraints force mills to only consider cotton for nearby delivery.