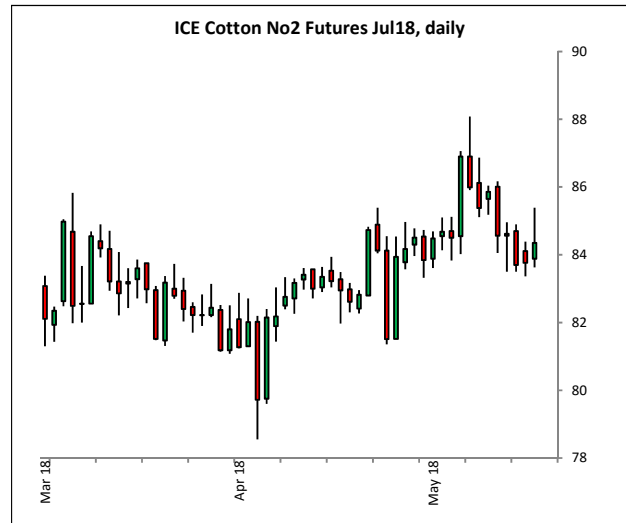


COTTON MARKET REPORT

	May16	May09	change
ICE No2 Jul18	84.35	85.86	-1.51
ICE No2 Dec18	80.69	80.56	0.13
ICE No2 Mar19	80.49	80.18	0.31
ICE No2 Jul18-Dec18	3.66	5.30	-1.64
ICE No2 futures o.i.	282'944	286'319	-3'375
ICE No2 certified stocks	79'220	72'999	6'221
A-Index 17/18	92.05	93.95	-1.90
ZCE Sep18	16'190	15'680	510
MCX Cotton May18	20'720	20'790	-70
USD Index	93.392	93.040	0.352

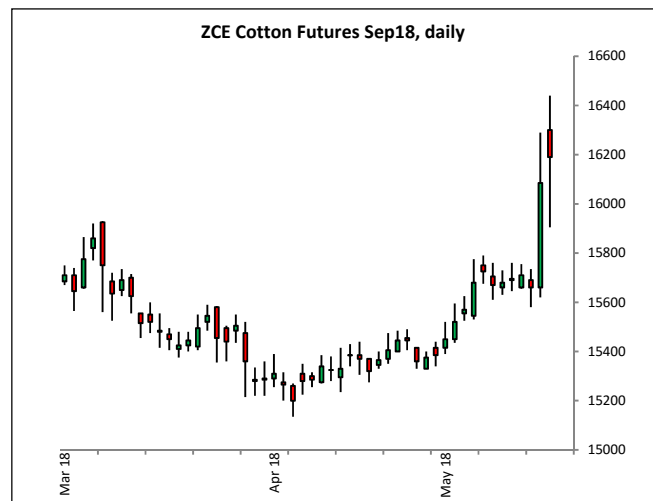
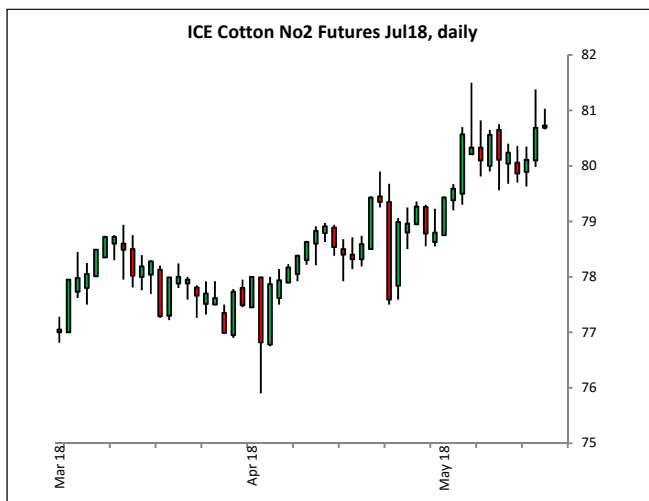


ICE Cotton No.2

An unexpected strong rally at the ZCE futures market was the key trigger for yesterday's strong intra-day performance of ICE cotton futures. The Jul18 contract bounced from short-term support area (near the 83.00 level) and gained as much as 162 points before running out of steam. Yesterday's high reached a key short-term retracement area (about 85.00 and 85.50). For the time being the move off the 83.36 low appears to be of corrective nature. Building value above 85.50 may likely void the short-term bearish trend. The mid-term trend remains (neutral-) bullish with key support at 83.00 and critical at 81.50-79.50.

The chart picture for the Dec18 contract shows a market which remains in an up-trend. However, there is a notable price/momentum divergence at the recent price high (81.50) which deserves attention. Support is at 79.00 and key/critical support rests between about 78.00 and 77.00.

To note: compared to the same period last year the Dec contract is about 7.00 c/lb higher and vs. the same period in 2016 almost 20.00 c/lb higher (Dec18 compared to Dec17 resp. Dec16).



COTTON MARKET REPORT

USA – All eyes on West Texas! Will it rain or not and if yes how much. At least some light rain has fallen on the panhandle with heaviest amounts recorded in the Rolling Plains. 2018 is still one of the driest year on record for Lubbock, TX. Although the outlook is dry for the next few days, there is still a good chance for widespread rain later this weekend. The deadline for the planting is approaching fast. Farmers will plant in West Texas, but whether the seed will germinate is a big question mark. We need rain also in June. The topsoil and subsoil moisture condition for the main growing regions in the Plains of districts 11, 12, 21 and 22 is short to very short by 75 % and higher as per the USDA NASS from May 14th. Elsewhere in the country the planting is in full swing under ideal conditions.

India – Cotton prices traded firm on lower daily arrivals and weaker Indian rupee. On per day average basis all India cotton arrivals reported at 65'000 bales (each bale 170 kg). Export demand continued from Pakistan, Bangladesh and Vietnam, although at a slow pace. Indian rupee depreciated against USD, traded 16 months high at 68.50 levels. Other emerging market currencies such as Indonesia's Rupiah and Turkish Lira have also depreciated.

Cotton 29 mm MCX (May contract) bounce back from the important support of 20'350. Immediate resistance is seen at 20'800-20'850 and support at 20'300-20'350.

China – Yesterday, the ZCE cotton futures market suddenly broke out of a bullish consolidation pattern, a flag, and rallied limit up on the news regarding the bad weather in Xinjiang. The Sep18 contract made a new contract high reaching the next important resistance area at around 16'500. If prices manage to build value above 16'000 In the following days, in this case, the overall technical picture would change to bullish.

Buying volume from the Reserve increased this week due to good demand from mills. Daily sales percentage rose from 45% to around 70%. North Xinjiang was hit by a cold front while South Xinjiang suffered from heavy winds. This is normal during May but some people seem overstating these facts and pushing ZCE higher. Physical prices are barely maintained.