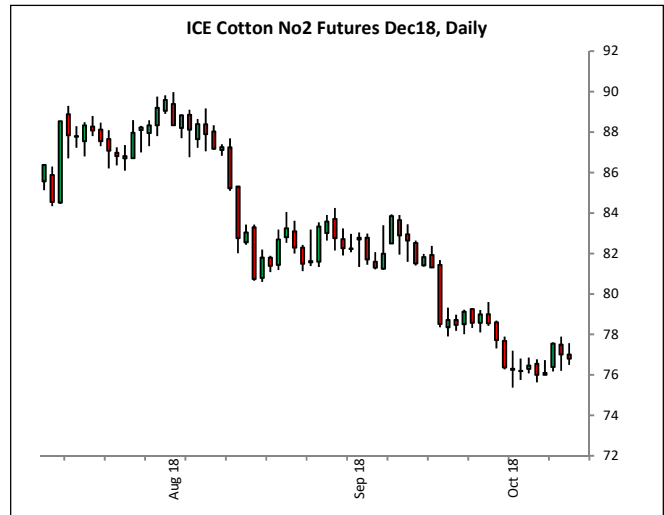


COTTON MARKET REPORT

	Oct 10	Oct 03	change
ICE No2 Dec18	76.80	76.46	0.34
ICE No2 Mar18	78.04	77.20	0.84
ICE No2 May19	78.86	77.97	0.89
ICE No2 Dec18-Mar19	-1.24	-0.74	-0.50
ICE No2 futures o.i.	255'853	250'658	5'195
ICE No2 certified stocks	27'833	24'724	3'109
A-Index 17/18	86.35	85.80	0.55
ZCE Jan19	15'430	15'645	-215
MCX Cotton Dec18	22'440	22'210	230
USD Index	95.508	95.762	-0.254

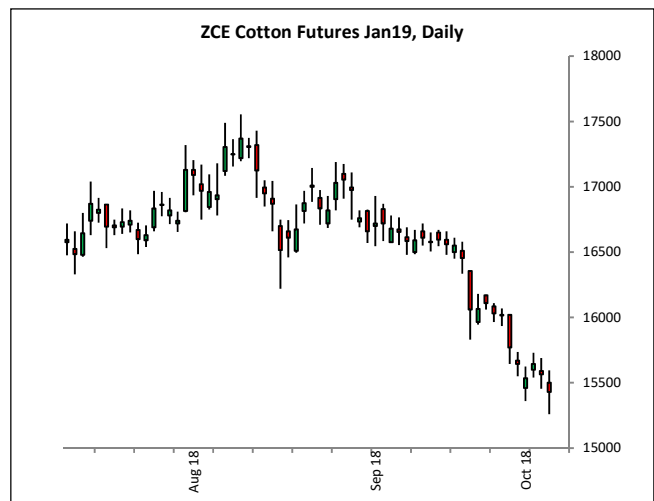
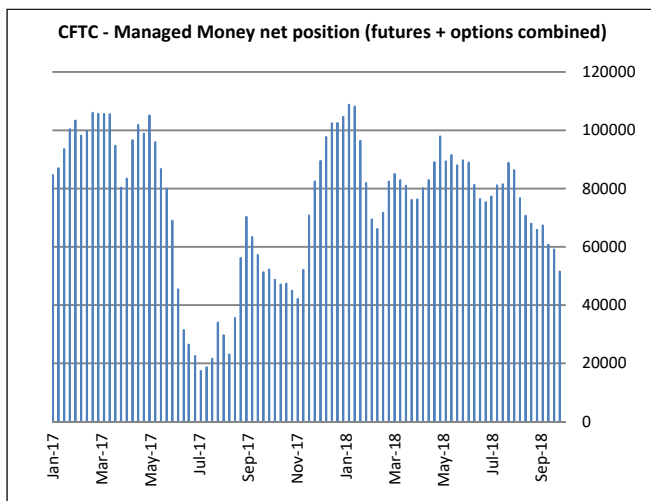


ICE Cotton No.2 – Prices continue to hover within boundaries of roughly 75.50-78.00 c/lbs (basis Dec18). The overall picture is still bearish, only a confirmed close above 80.00 c/lbs would change our view.

The CFTC Commitment of Traders (COT) report showed further net long reductions of Managed Money positions by a total of 7595 lots in its last report. While specs are a fair bit away from their current year’s peak long, their position is still relatively large. We have seen lower spec positions in the past and a break out below the October lows around 75.00 is likely to trigger stronger fund liquidation.

For now, the weather market plays at its fullest (see U.S.A. part on p2). While hurricane Michael certainly gets the attention it deserves, one should not forget that the broader world fundamentals did not change from the past weeks. Physical demand is very much China centred, demand from other destinations remain lack lustre at best.

Technical picture: short-term neutral, main trend down. Resistance at 78.00, key at 80.00. Support at 75.00.



COTTON MARKET REPORT

USA – As we speak, Hurricane Michael is wreaking havoc on the entire Georgia crop at a time when practically 90% of the bolls are open and less than 15% of the crop harvested. To the extent that growers can make some marginal progress, pickers have been running wide open within the previous few days as crop forecasters are predicting major destruction with copious amounts of rain and super strong winds pounding the crop. The storm made landfall Wednesday night as a Category 4 hurricane, and we have seen some estimates already of crop losses, however it is way too early to make any meaningful assessments. Today, the USDA will release its monthly agriculture supply and demand data for September. Although it is highly unlikely they take into consideration potential losses from this storm. Recapping last month, the crop was raised some 500'000 plus bales to 19.68 million. The Texas crop is also still a big question mark following a weekend of rains and more potentially forecasted later this weekend. Overall, the U.S. harvest is getting off to a less than stellar start, and in the end, the U.S. could potentially have a serious shortage of high grades and an overabundance of lower qualities.

India - Prices traded sideways with limited activities. All India daily new crop arrivals registered around 36'000 bales (170 kg each), of which the northern states are contributing 27'000 bales. It is expected that harvesting will pick up pace in central India from end of this month. CCI has begun gearing up for procurement of cotton under the minimum support price program. During the week, the Reserve Bank of India (RBI) kept the key policy rates unchanged in its bi-monthly monetary policy. The Indian rupee breached the 74-mark against the US dollar for the first time, hitting a new low of 74.40.

The October 2018 new crop 29 mm contract at MCX is trading in a narrow range of 22'200-22'450. The next important support and resistance is pegged at 22'600-650 and 21'700-750 respectively.

China – The ZCE cotton futures market opened at a negative note after week-long National Day holidays. Prices broke below the 15'500 support (basis Jan19 contract) and set a new contract low of 15'260. Short- and long-term outlooks are negative with the next minimum downside target sitting at around 15'000-14'800. During the week long National Day holidays business activities slowed down. Finally, the import quotas were released, which may lead to increased buying activities by mills for prompt shipments – provided imports are competitive enough. Market participants are turning bearish. In Xinjiang picking and ginning is in full swing and seed cotton prices are under pressure, especially for machine picked cotton. The US/China trade dispute as well as the RMB depreciation are making imports less competitive. For the time being, it appears that mills still work profitable.