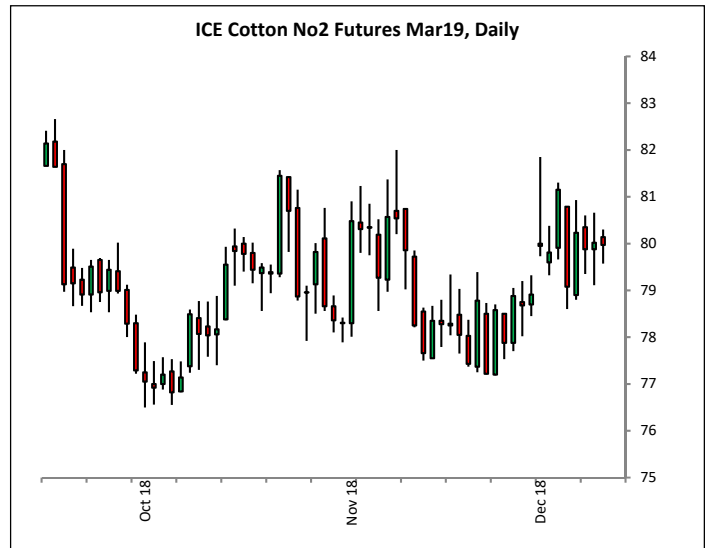


COTTON MARKET REPORT

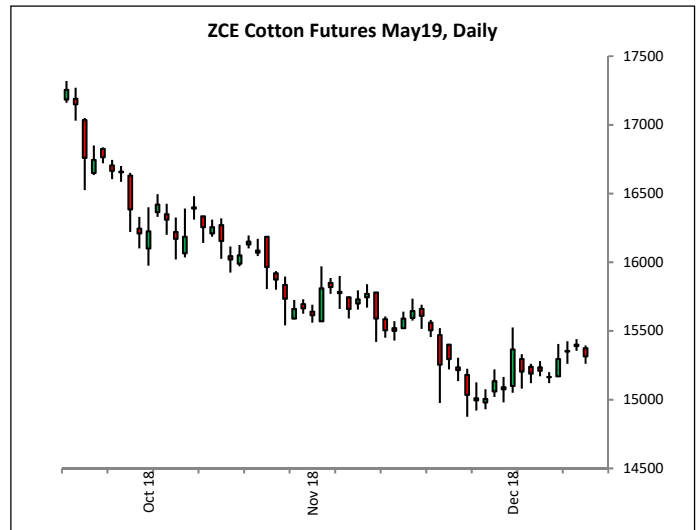
	Dec12	Dec05	change
ICE No2 Mar19	79.97	81.15	-1.18
ICE No2 May19	81.01	82.09	-1.08
ICE No2 Jul19	81.55	82.78	-1.23
ICE No2 Mar19-May19	-1.04	-0.94	-0.10
ICE No2 futures o.i.	220'077	220'527	-450
ICE No2 certified stocks	140'552	140'322	230
A-Index 18/19	88.30	87.80	0.50
ZCE May19	15'315	15'210	105
MCX Cotton Dec18	22'070	21'970	100
USD Index	97.044	97.070	-0.026



ICE Cotton No.2 – This week’s USDA report showed a higher U.S. production figure for 2018/19 compared to the previous estimate. This was a surprise for the market which on that day broke quickly lower but then managed to recover a good part of the losses. The reduction in world consumption was to be expected and further reductions in the coming months should not be excluded.

For the time being the market does not want to leave its comfort zone and, like it nor not, it probably has enough good reasons to refrain from doing so. At least as far as the near-term is concerned, there are simply no strong elements detectable which could provide the necessary force to propel prices sustainably above or below the current range.

Technical picture: key support is at 77.00-76.50. Settling and building value below sets 73.50-71.50 as down-side objective. Key resistance is at 81.50-82.00. If broken on a close basis, 84.00-84.50 becomes up-side target.



COTTON MARKET REPORT

USA – The USDA World Agriculture Demand and Supply Estimate (WASDE) surprised most with an increase in the U.S. production to now 18.588 million bales. Texas, as usual, was the wild card with a less than ideal harvest. Many market participants expected a decrease for that state, not a 300'000-bale increase. The unexpected increase came from South Texas, where the yield on the Coastal Bend was increased from 840 lbs in November to 1'157 lbs in December - which resulted in an additional 185'000 bales for that district. It certainly raises questions on how the USDA was able to judge the yield so different until present, considering South Texas being the first crop harvested in a U.S. crop cycle. This season, the abandonment rate for Texas is extremely high with 41.5 %. Only 4.5 million acres will be harvested out of 7.7 million acres planted! E.g. district 12, the largest cotton growing area for Texas, with 3.285 million acres planted, will only harvest 1.5 million acres. The abandonment rate there is 54.3 %. It seems as if Texas remains the major challenge for any early production estimate.

India – All India new crop arrivals continued around 165'000 bales per day on average basis. About 6.70 million bales (170 kg each) have arrived in the current season. Arrivals are likely to increase pace from the middle of this month.

Gujarat 29mm cotton traded around INR 45'000 per candy, equivalent to approximately 81.50 per c/lbs FOB Mundra for prompt delivery, based on prevailing exchange rate.

During the week, the Indian rupee weakened sharply against the US Dollar and registered a high of 72.55. The resignation of the central bank chief, is said to be the main reason.

The MCX 29mm contract for December month is trading in the range of 21'500 to 22'300. Prices are likely to consolidate in the short term and the overall trend remains bearish.

China – A narrow-ranged consolidation is ongoing in the ZCE cotton futures market. The short-term outlook remains negative if prices do not break and build value above 15'520 (basis May19 contract). Support is at 15'000-14'875, then at 14'500. Resistance at 15'520, then at around 16'000.

Both, domestic and import cotton business, remained sluggish this week. Rumors circulating that China re-started purchases of US soybeans and liquified natural gas. No signs yet that US cotton purchases have also been resumed.