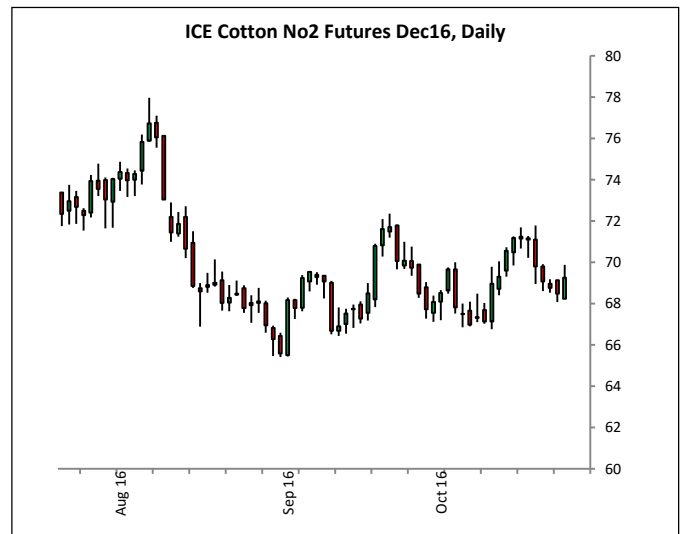


## COTTON MARKET REPORT

	Oct26	Oct19	change
ICE No2 Dec16	69.26	71.10	-1.84
ICE No2 Mar17	69.87	71.45	-1.58
ICE No2 May17	70.30	71.82	-1.52
ICE WCT Dec16	73.55	73.98	-0.43
ICE No2 Dec16-Mar17	-0.61	-0.35	-0.26
ICE WCT Dec16-No2 Dec16	4.29	2.88	1.41
ICE No2 futures o.i.	260'503	252'761	7'742
ICE No2 certified stocks	26'393	28'895	-2'502
A-Index	77.90	80.35	-2.45
ZCE Jan17	15'125	14'955	170
USD Index	98.629	97.920	0.709



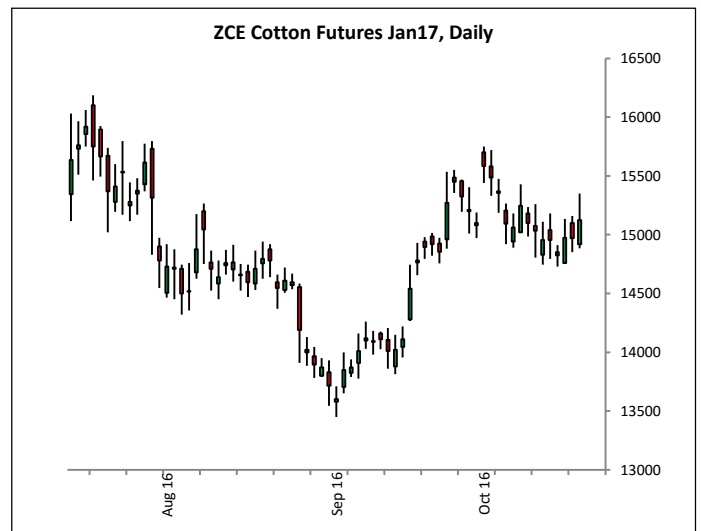
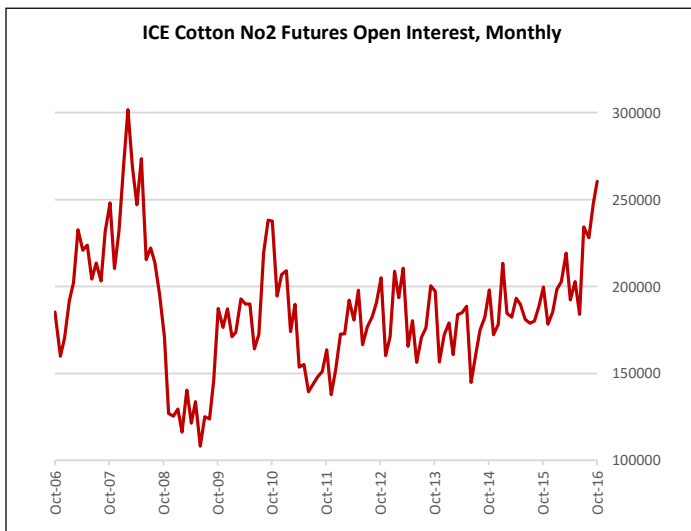
### ICE Cotton Futures

The market has been consolidating/correcting the recent sharp sell-off from the month's highs. This week's action is taking place pretty much in the middle of the trading range in force since early August.

The futures open interest has further increased and set a new multi-year high. Since the end of June of this year it climbed by a whopping 75'000 lots and currently stands at 260'503 lots which is not too far from the record open interest registered during the infamous 2008/09 period. It is therefore not surprising that presently it is a subject of much discussion and speculation.

Last week's CFTC report (disaggregated futures- options combined) showed that managed money funds (specs) increased longs by 8'370 lots to 75'198 lots and reduced shorts by 2'144 lots to 10'190 lots. Since then and with the drop from the highs some long liquidation must have taken place, but probably not much hence keeping specs still quite long.

Technical picture: The short-term trend remains neutral with support at 68.00, 66.60-66.40 and 65.40-65.00. Resistance is at 70.00-70.40, 70.90, 71.60-72.00 and 72.40-73.50.



COTTON MARKET REPORT

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**USA** – For the week Dec'16 ICE cotton traded below the 70 level which contributed to a rather lackluster week of selling by producers. The season here is still young although the harvest is advancing rapidly with conditions almost ideal. So far the important Texas crop appears to be a good one by early indications with the historically warm fall contributing to full maturation of the crop. Harvest weather for the balance of this week and next week appear to be excellent. All of this will be reflected in revised USDA projections of U.S. cotton production over the next months, including any hurricane losses in the Carolinas.

Export sales continue to be supportive to prices. Recent price weakness may have been influenced by fluctuations in the U.S. dollar which might also explain dips in corn and soybeans. We look for the market to remain volatile with just a few weeks remaining until December's first notice day (November 23). Triple digit trading days should be routinely expected. The longs that decide to remain in December may force a slight squeeze, as certificated stocks are at the lowest level since February and only about 28'000 bales.

**India** – Indian cotton prices traded lower on a w-o-w basis tracking slow demand from mills at current levels. The Cotton Advisory Board has pegged Indian cotton crop production in their latest estimate for 2016-17 season (Oct-Sept) at 35.10 million bales (each bale 170 kg). The total area under cotton has dipped 11.60 % to 10.50 million hectares against 11.877 million hectares, at the same period of last year. Major spinners may resume their buying spree after Diwali festival (last week of October) as the supply is expected to accelerate in the weeks ahead.

Cotton 29 mm MCX (December contract) chart indicates consolidation in the prices, breaking below 18'150 may trigger a decline to 17'450-17'500.

**China** – After having failed to break below the 14'750 short-term support (basis Jan17), the market has slightly bounced to test the nearest resistance at 15'430. Building value above 15'430 would likely lead to a test of the contract highs at around 16'000. Medium-term neutral technical picture remains unchanged as long as prices do not break above 16'000 or below 13'500.

Picking in Xinjiang has been advancing rapidly and is now well over 50%; machine picked areas of Northern Xinjiang report as much as 70-80% picked. During the past few days though, wet and cold weather has been delaying activities somewhat and may affect grade of unpicked quantities. Quality so far is significantly better than last year, micronaire being mostly in G5 range and staple average reported at 29.29 mm, compared to 27.95 mm last year. Ginning process is relatively slow, due to difficult marketing conditions, price pressure and lack of financing for gins. Reported ginnings in Xinjiang by 25<sup>th</sup> of October stood at 1.3 million tons of lint. Import demand continues of a sporadic nature, mainly for nearby positions. Reportedly, some larger buyers with assured quota access have also concluded significant US business for first quarter 2017.

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