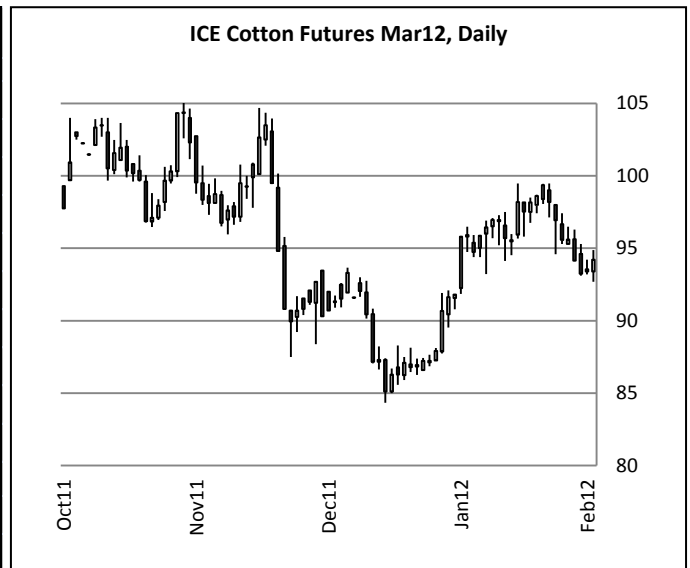


| | Feb03 | Jan27 | change | %-change |
|--------------------------------|-----------|-----------|--------|----------|
| ICE Cotton No2 Mar12 | 94.21 | 95.59 | -1.38 | -1.5 |
| May12 | 95.49 | 96.04 | -0.55 | -0.6 |
| Jul12 | 96.56 | 96.37 | 0.19 | 0.2 |
| Total open interest | 178'051 | 166'183 | 11868 | 6.7 |
| Certified stocks | 54'010 | 45'700 | 8'310 | 15.4 |
| A-Index (2011/12) | 101.45 | 102.25 | -0.80 | -0.8 |
| ZCE May12 (today) | 21'480 | 21'345 | 135 | 0.6 |
| USD Index | 79.125 | 79.513 | -0.388 | -0.5 |
| CRB Index | 310.90 | 317.42 | -6.52 | -2.1 |
| DJ Industrial Average | 12'705.4 | 12'734.6 | -29.19 | -0.2 |
| U.S. weekly sales (net upland) | -164'000 | - | - | - |
| U.S. accumulated exports | 3'629'100 | 3'263'100 | - | - |

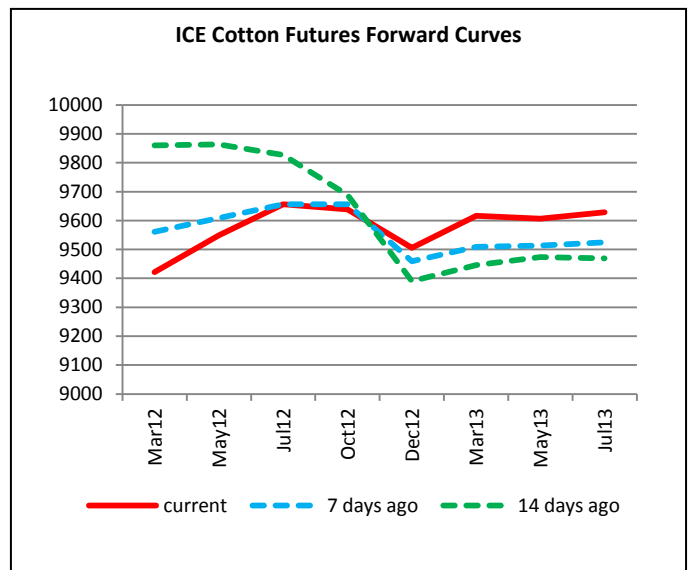
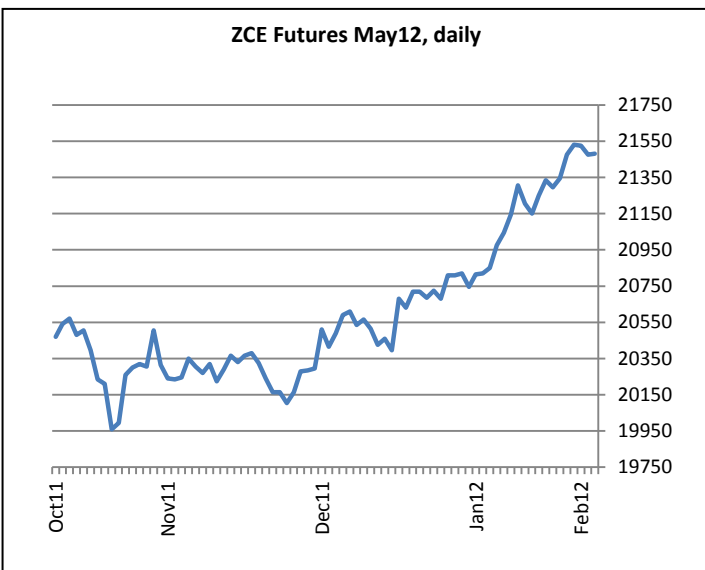


NYK Futures – The market (basis Mar12 contract) drifted lower and approached the former break-out area of end December 2012. The steady grain markets and the weak U.S. Dollar did not manage to inject enthusiasm into cotton futures. On the other hand, the once again disappointing U.S. export sales figures had only a brief and minor negative intra-day influence.

Yesterday, after breaking below recent lows, the market found no follow-through selling and managed to reverse and erase some of the week’s losses.

Spreads were under pressure as funds have been actively rolling long March 2012 positions into forward months. The Mar12-May12 spread has moved very close to full carry. The certificated stocks continue to slowly climb, as well as cotton under pending review.

The futures’ total open interest is still going up. Since the beginning of the year it has increased by 26’000 lots. Technical picture: Support is at 93.00, short-term key between 92.00-90.00. Resistance at 95.50-96.00, 97.50, 99.50 and 102.00-103.00. Trend indicators are mixed. If prices manage to hold above short-term key support, then a move to around the December 2011 highs is possible.



U.S.A – It is fairly predictable that one can count on the major funds to begin rolling their positions around the end of the month preceding the corresponding delivery period and expiration of the spot month. In this case, this is the March12 contract. As these funds by and large operate from a long position this rolling can serve to create pressure on the spot month which is exactly what we are witnessing as the March/May spread is currently trading with March at roughly 130 point discount to May. For the life of the March contract and up until this week March spent the majority of the time trading at a premium, as high as 800 points. During a portion of that time, fundamentals were more constructive, certificated stocks negligible and merchants were not consistently burdened with unsold inventory.

Bangladesh - In early January spinners returned back to the international market especially for Indian, CIS, and USA and Pakistan cotton. We estimate that about 30'000 tons have been purchased for prompt shipment. Yarn prices increased gradually since the beginning of the month. Bangladesh banks are still slow in opening L/C. They also encounter a shortage of USD in order to pay a heavier import vs. export bill. The government is in a dilemma whether to continue increasing the import of the petroleum oil bill to the much needed electricity production. The increased volume of oil required is creating a growing import bill which is fuelling the Taka exchange rate against USD. However, there is the intention to set up a multibillion USD power plant with Indian support. Some spinners are facing a potential shut-down of their operation due to the losses sustained last year, poor overseas garment order, a lack of bank support and a lacklustre textile market. The BD Taka keeps depreciating against USD hitting BDT 85.00/USD, aggravating the agonies of importer, including spinners. The exchange rate was BDT 70.00/USD at the same period of 2011; thereby the cost of imported goods has gone up by nearly 25 %.

India – The demand has been slow as exporters' buying was limited due to absence of Chinese demand and fewer fresh inquiries from other importers. The recent Indian basis strengthening is taking demand away for Indian cotton. Tight cash position has been hampering the cotton trade in all parts of the country. Mills are unable to extend their coverage due to tight liquidity.

Yarn prices declined on slow demand. The Indian rupee broke this week the 49.00 per dollar. The rupee is expected to strengthen on the dollar's weakness globally. Equity market cues and dollar sales by corporate may also support the currency.

China - The ZCE market rallied some 200 pts at opening after holidays. Prices entered into a consolidation phase and spent the second half of the week trading sideways within a narrow range, just above the former resistance at 21'420 (basis May12 contract). A close below 21'420 would void the short-term bullish outlook. Market participants started to roll their May12 positions into Sep12 in volumes this week, pushing the May12-Sep12 spread to full carry (600 pts) and above. The Sep12 contract is expected to become the most active already next week, some 7 months before expiration. CNCE prices also firmed up. However, they are still lagging those of ZCE. Therefore, the inter-exchange spreads weakened further to historically low levels.

After the lunar New Year holidays, demand picked up this week. The focus is mainly on consignments and nearby shipments. Many mills will only re-start their activities next week after the lantern festival.