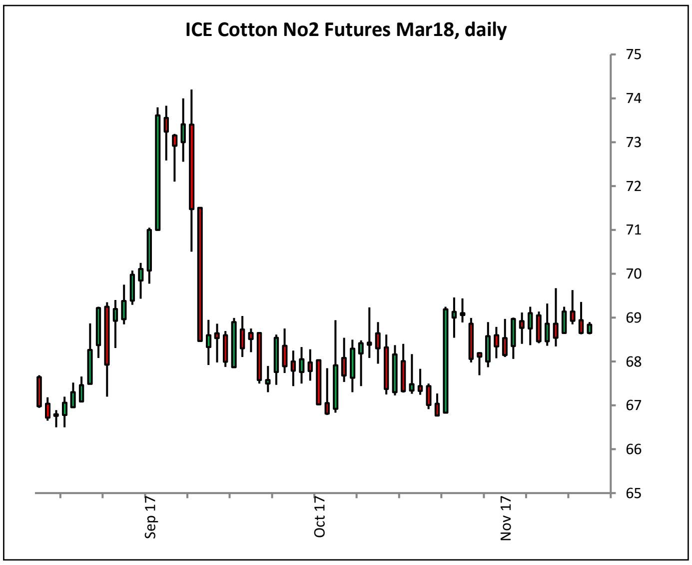
REINHART

November 16, 2017

COTTON MARKET REPORT

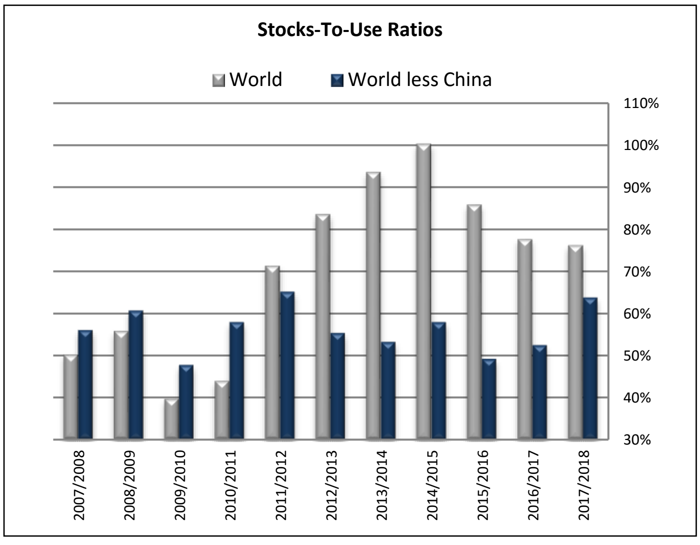
	Nov 15	Nov 08	change
ICE No2 Dec17	68.81	68.63	0.18
ICE No2 Mar18	68.84	68.86	-0.02
ICE No2 May18	69.77	69.88	-0.11
ICE No2 Dec17-Mar18	-0.03	-0.23	0.20
ICE No2 futures o.i.	226'636	235'937	-9'301
ICE No2 certified stocks	48'128	39'322	8'806
A-Index 17/18	79.35	79.10	0.25
ZCE Jan18	15'055	15'160	-105
MCX Cotton Dec17	18'280	18'180	100
USD Index	93.813	94.866	-1.053

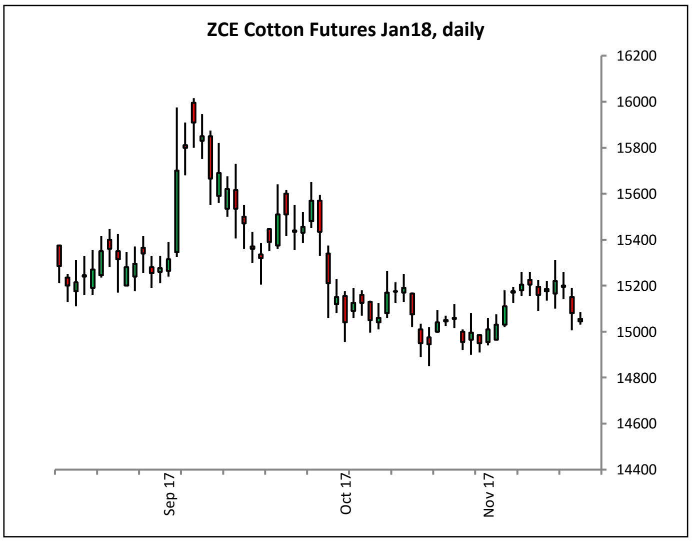


ICE Cotton – The market's action remains a tedious affair. Futures prices are stuck within the boundaries in force since mid-June (when excluding the early September hiccup). Based on the most active contract, values have oscillated between 66.00 and 71.00 since then. However, most of the activity took place within an even smaller range. As mentioned in previous reports, there were no strong reasons for prices to trade lastingly above or below mentioned levels. This has not changed, but the market may run the risk of becoming too complacent with the current situation.

The massive amount of unfixed on-call sales likely remains the single most important support factor in the short- to mid-term while the fundamental outlook (in particular the build-up of stocks outside of China) suggests prices should find good resistance in the low to mid-70's.

Technical picture: the macro view still considers that prices are within an unfinished bear sequence which started in the late spring of this year. The short-term outlook remains neutral with resistance at 69.50-70.50 and 71.40-72.40. Support sits at 68.30-67.70 and 66.75-66.00.





USA – The November revisions to 2017/18 U.S. cotton continued a trend of surprising adjustments to U.S. production. After a post-hurricane month-over-month increase in September, then a cut in October, the November numbers reflected another healthy increase in projected U.S. cotton production. After slightly adjusting the "Unaccounted" fudge factor, projected U.S. ending stocks rose from 5.8 to 6.1 million bales, month over month. The USDA is now predicting a 21.4 million bale crop for the U.S. and if the numbers hold up, the yield per acre number will be the highest on record. The 6.1 million bale projected carryout would be the largest in nearly ten years. This USDA report would normally would have a modestly bearish price response all things being equal, however the ICE futures have managed to maintain the near-term trading range without too much difficulty. Physical traders in the U.S. continue to monitor the unfolding quality situation in the U.S., in particular West Texas where the average micronaire continues to fall. In-country basis levels remain quite firm. Harvest-wise, the U.S. crop is rapidly approaching two-thirds being harvested. Ginning is another story, which will linger well into the early months of 2018.

India – Cotton supplies have continued to weigh on the market sentiment as there is a potential for daily total arrivals of the country to touch 175-185 thousand bales by end of November. Currently, all India cotton arrivals on a per day basis stand at 140-145 thousand bales. Export business for 29 mm Cotton was reported between USC 77-78 per lb CFR in Bangladesh market for prompt shipment. MCX December futures contract has traded in the narrow range of 18'100-18'400. Short term trend remains neutral.

China – After a failed attempt to break above the nearest resistance at 15'300 (basis Jan18 contract) the ZCE cotton futures market has slightly pulled back. Short-term outlook is neutral to bearish. A close below 14'850 would likely lead to a test of the contract lows at 14'650.
Physical business remained slow during the past week, as spinning mills are well covered and have little need to buy cotton, unless prices are considered attractive. Nevertheless, downstream demand for cotton yarn remains healthy. According to market reports, weaving mills are working profitably with capacity utilization of over 60%, which is historically rather high. Competition from artificial fibers continues a negative factor. Polyester prices have increased during the past few months but still remain far below cotton. Viscose prices have fallen and are now also slightly below cotton.