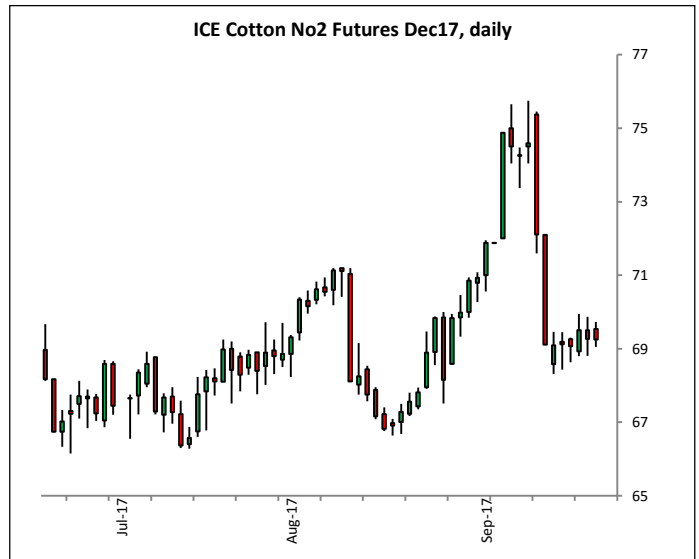


COTTON MARKET REPORT

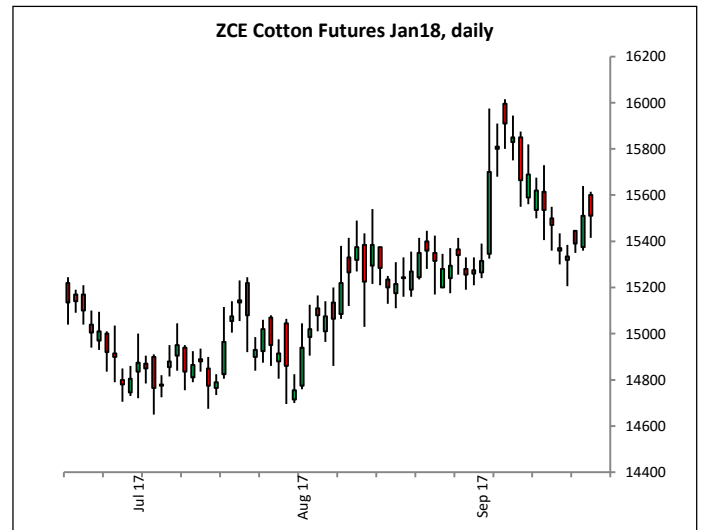
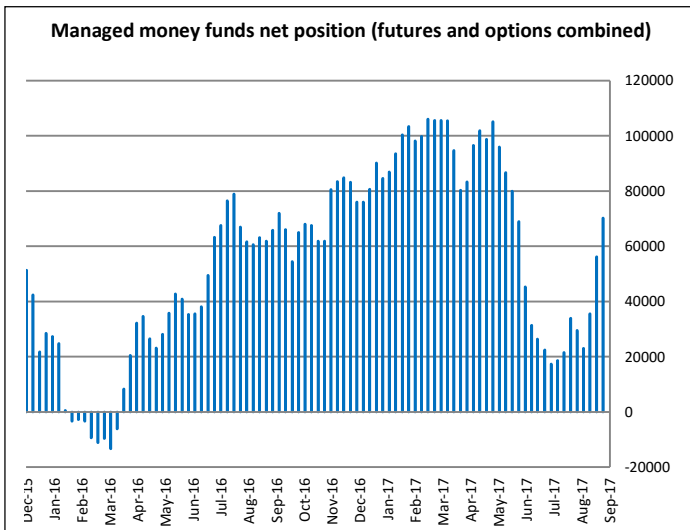
| | Sep 20 | Sep 13 | change |
|--------------------------|---------|---------|--------|
| ICE No2 Dec17 | 69.25 | 69.09 | 0.16 |
| ICE No2 Mar18 | 68.51 | 68.60 | -0.09 |
| ICE No2 May18 | 69.03 | 69.21 | -0.18 |
| ICE No2 Dec17-Mar18 | 0.74 | 0.49 | 0.25 |
| ICE No2 futures o.i. | 238'750 | 243'886 | -5'136 |
| ICE No2 certified stocks | 2'414 | 7'006 | -4'592 |
| A-Index 17/18 | 79.35 | 79.10 | 0.25 |
| ZCE Jan18 | 15'510 | 15'470 | 40 |
| MCX Cotton Dec17 | 17'970 | 17'940 | 30 |
| USD Index | 92.508 | 92.520 | -0.012 |



ICE Cotton - Market activity has gone very quiet. Yesterday's session with about 10'500 lots of futures turnover was the second lowest volume day this year so far.

Options' implied volatilities have stopped declining and are stabilizing between 20.0 and 21.0 %, based on the Dec17 at-the-money (a-t-m) strikes. Taking the very short-term historical volatility as a benchmark, then one could argue that premiums for Dec options are somewhat expensive. This may suggest market participants are not trusting the current tranquillity. Mar18 and Jul18 a-t-m options are trading between about 18.5 and 18.0 % implied volatility.

Overall, the market remains in a consolidation/corrective phase. The short-term technical picture is bearish, but there is room for counter-trend action. Only settling and building value above (about) 71.00-72.00 would cancel the negative technical outlook. Near-term support is between 68.80 and 68.30. If broken on a close basis, 66.50-66.00 becomes minimum down-side target zone.



COTTON MARKET REPORT

USA – This week Dec17 resumed a narrow trading almost five cents lower prior to multiple hurricanes hitting the U.S. coastlines. With the post-Hurricane Harvey/Irma rally a thing of the past, we may have seen the last opportunity for futures over 70 cents. The inversion of Dec17 over the Mar18 contract all but disappeared as the threat of a possible squeeze has been temporarily averted. Hurricane Irma damage, while still being assessed, appeared to have minimal influence on the market and the southeastern growing regions. Most ginners in this region report that that damage could have been a lot worse. Defoliation is well under way in the lower portions of the Mississippi Delta and portions of the Southeast, and harvesting is set to begin in a big way soon barring unforeseeable weather circumstances. Other fundamental news this week included very mediocre export sales and export shipments that continued sub-par.

India – Cotton planting in India have reached 12.151 million ha as of September 14, up 19 percent compared to same period last year at 10.223 million ha, reported by the Ministry of Agriculture. Buying spree is on a limited side due to poor off-take in the yarn market and sentiment is bearish ahead of large new crop prospects, with forecasts ranging between 37.5 and 39.0 million bales (each bale 170 kg).

Indian rupee on Thursday weakened to a 10-week low against the US dollar, tracking losses in the Asian currencies markets after the US Federal Reserve left rates unchanged. Depreciating USD-INR pair favours cheaper cotton exports in the coming days.

Cotton 29mm MCX October'17 futures contract has traded around the strong support of 18'300. If broken on a close basis, 17'900-18'000 becomes near-term down-side target. Short-term resistance is at 18'700-18'800.

China – The ZCE cotton futures market has slightly bounced off the 15'200-15'100 support, basis Jan18 contract, but failed to generate enough upside momentum and closed virtually unchanged. The short-term technical picture remains positive as long as prices do not break below 15'100.

The past week was rather uneventful with no major changes. Mills continue actively buying at the Reserve auctions with clearing rates consistently over 90%; by 20th of September a quantity of 3.02 million tons has been sold this year. If sales continue at the same rhythm during the remaining few days until end September, total sales will easily surpass the amount of 3.1 million tons.

New crop prices continue at high levels and less attractive than the price available from the Reserve. Whether suppliers can maintain their offering price once harvest accelerates, is open to question.

Import demand was slow as most buyers expect prices to move lower in view of large crops in the USA and India.

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