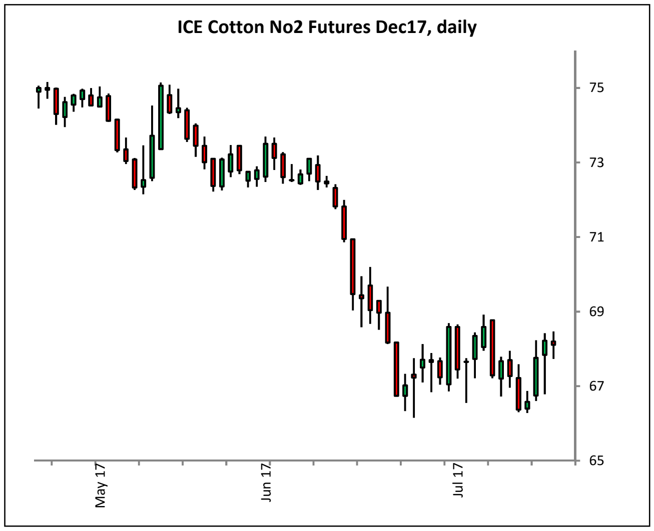
REINHART

COTTON MARKET REPORT

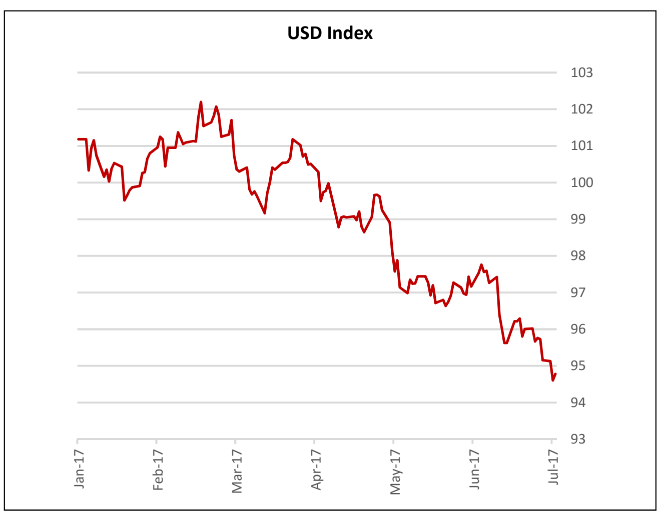
	Jul19	Jul12	change
ICE No2 Dec17	68.11	67.27	0.84
ICE No2 Mar18	67.80	66.94	0.86
ICE No2 May18	68.35	67.41	0.94
ICE No2 Dec17-Mar18	0.31	0.33	-0.02
ICE No2 futures o.i.	210'783	210'783	0
ICE No2 certified stocks	49'814	77'766	-27'952
A-Index 17/18	78.75	77.95	0.80
ZCE Sep17	15'550	15'185	365
MCX Cotton most active	20'170	20'360	-190
USD Index	94.779	95.761	-0.982

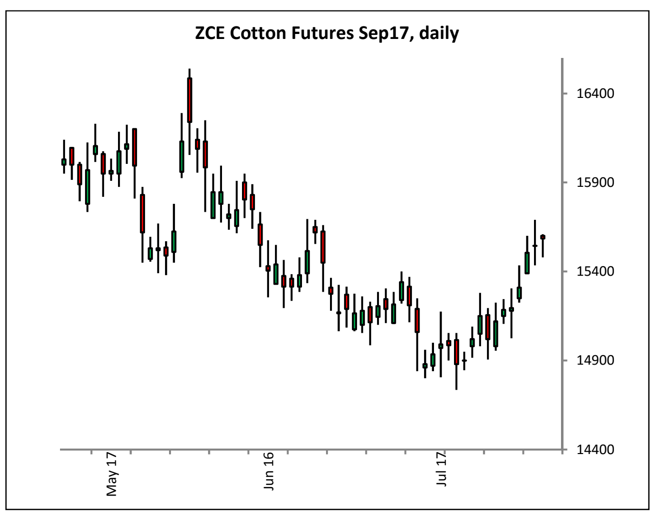


ICE Cotton - Prices keep on hovering between 66.00-69.00 c/lbs (basis Dec17). Yesterday's volume number was the lowest since end of December 2016. Such silence usually does not prevail for too long and the question to ask right now is if we may see more of the same or if the market is just taking a breath and getting ready for some brisker price activity. Technically, there is plenty of room to the upside to make the mid-term bearish outlook change into a bullish one.

Physical demand is subdued (but not dead) at current levels and it appears as – short-term – a level below 66.00 is necessary to bring stronger demand back. At the same time, price targets from various origins do not seem to be near current NYF levels. The result is the relatively quiet and consolidative market action which we witnessed during the past 4 weeks. Of course such picture cannot prevail for too long and either side will have to adjust their target levels at some point.

Technical picture: short-term neutral. The overall mid-term picture remains bearish. A move above 72.00 would change our view. Support: 66.15. Resistance: short-term at 68.00-68.50. Key1 at 69.60, key2 70.60. Critical 71.70-72.30.





USA - This week the most active Dec17 contract stair-stepped lower and then posted a small rally mostly centered on West Texas weather issues. Cotton specific news this week included concerns about greater abandonment of West Texas cotton being circulated, however the picture remains ultimately uncertain until the August field sampling by USDA. Some local analysts are predicting higher abandonment rates than what USDA is currently forecasting. There have been some hailstorms on the Southern half of the High Plains, mostly non-irrigated land that will result in insurance claims, likely increasing abandonment for the week, fruiting progress was slightly ahead of the five-year average pace and the U.S. cotton condition rating remained more or less the same as the previous week, now with 60% of the U.S. crops rated as “Good” to “Excellent” with another 30% rated “Fair”. On average the U.S. crop has reached its halfway point in the growing season.

India - India Kharif crops sowing in the country as on July 14th stood at 56.317 million hectares, up 7.92% from 52.180 million hectares corresponding period last year. Cotton planting reached 9.088 million hectares against 7.393 million hectares, same period previous year. Heavy rains reported across central India resulting in floods in certain regions whereby farmers might have to consider re-planting. Demand from domestic buyers remained lacklustre amid slow off take of yarn due to implementation of new taxation system i.e. the Goods & Services Tax.

China – Following last week’s bounce off contract lows, ZCE cotton futures market continued to the upside, clearing on its way the first key resistance at 15’400 (basis Sep17 contract) and reaching the next upside target at around 15’700. The short-term outlook turned positive. Breaking and building value above 15’700 sets 16’000 as the next minimum price objective.

Physical prices have not been following the firmer ZCE cotton futures market to the upside and remained more or less unchanged. Hot and humid weather forced some mills to shut down their operations. Polyester and viscose prices increased considerably lately, mainly due to environmental measures which caused a reduction in production. Demand for imported cotton remains good, including consignments. Also, sales of Indian new crop cotton were noticed as prices are perceived to be attractive.