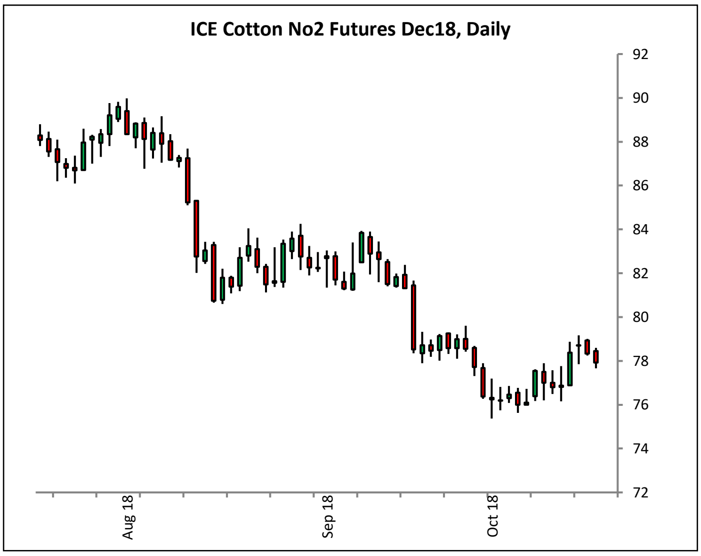
REINHART

October 18, 2018

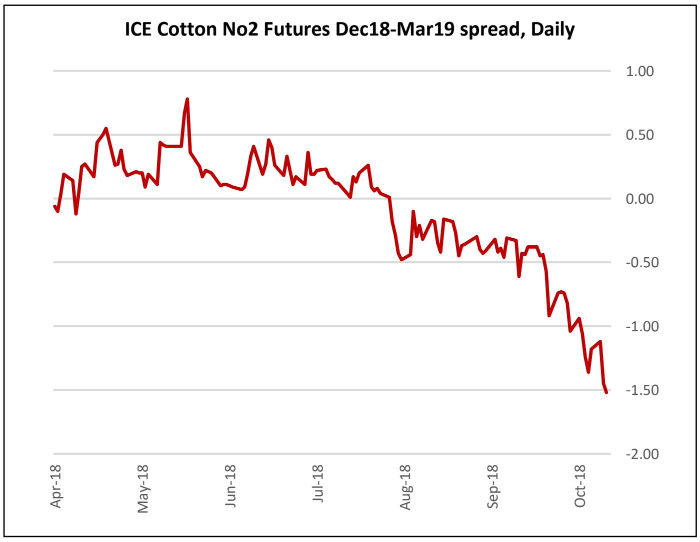
COTTON MARKET REPORT

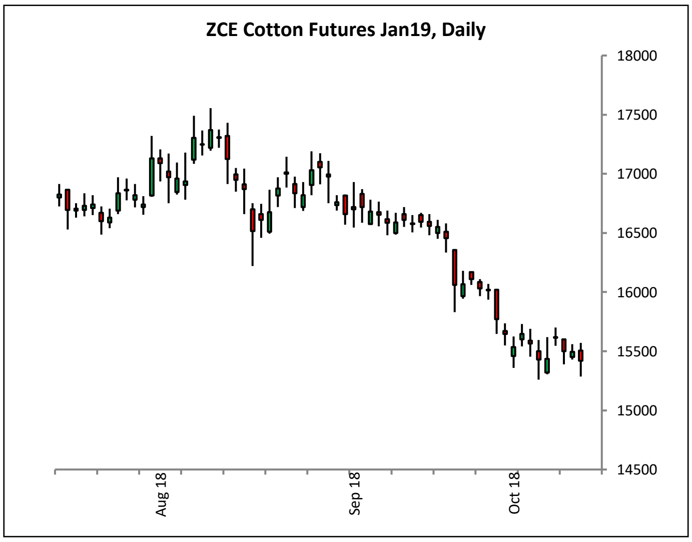
	Oct 17	Oct 10	change
ICE No2 Dec18	77.92	76.80	1.12
ICE No2 Mar18	79.44	78.04	1.40
ICE No2 May19	80.46	78.86	1.60
ICE No2 Dec18-Mar19	-1.52	-1.24	-0.28
ICE No2 futures o.i.	262'680	255'853	6'827
ICE No2 certified stocks	24'931	27'833	-2'902
A-Index 17/18	87.75	86.35	1.40
ZCE Jan19	15'420	15'430	-10
MCX Cotton Dec18	22'470	22'440	30
USD Index	95.575	95.508	0.067



ICE Cotton No.2 – Based on last Friday's strong performance one could have come away with the idea that the market would profit quickly from the new positive momentum but instead prices simply started to consolidate within a small range. Daily futures volumes have managed to stay above the 20'000 lots mark. However, when excluding the good spreading volume witnessed this week, particularly due to the weakening of Dec-Mar, then it shows how meagre outright activity really was. Presently, the market lacks strong mill demand either via fresh outright business or price fixations (latter not being truly surprising as mills fixed good amounts during the decline from near 90.00 and are in no rush right now), as well as specs' apparent lack of appetite to (re-)commit to the up-side.

Technical picture: a convincing break/action above 79.50-80.00 resistance may signal that the lows near 75.00 are of lasting nature. Support is between 77.60 and 77.00. If broken, expect a re-test of 76.00-75.00 support area. Settling and building value below 75.00 sets 73.00 and potentially 71.50-69.50 as down-side targets.





USA – I.C.E. futures continue to trade in a ho-hum fashion almost ignoring the recent and unfortunate weather events in the U.S. The market had a brief rally late last week most likely attributed to merchants buying back hedges for cotton which will not be delivered from Georgia, Alabama and Florida as a result of Hurricane Michael. Losses in individual counties in the tri-state area range from anywhere from 40% to 100% of production depending on how much wind damage was prevalent. We've heard estimates of 1.0 million bales being lost which at best is an educated guess, but with winds at 100 mph or more, this seems entirely feasible. Growers are making their way back into the fields harvesting the highest yielding cotton first and leaving the marginal fields for later, if at all. As Michael's destruction is being sorted out, rain continues to hamper the harvest in Texas as well which could eventually cause USDA to take another look at production in this state. Some potions of Texas have received monumental amounts of rain over the course of the last few weeks. USDA's October Supply estimate is now a moot point so next Supply/Demand report to be released in early November will be more highly anticipated.

India - Cotton prices traded weak taking cues from international market. All India daily arrivals increased to around 65'000 bales (170 kg each), of which northern states contributed with around 35'000 bales. Export business for 28mm northern cotton was reported around 79 c/lb c+f prompt shipment in Pakistan market. Indian rupee strengthened against the US$ and is trading now at around 73.50, due to weaker oil prices and recovery in equities.
MCX Oct contract (new crop) broke the important resistance level of 22'450-500. Building value above 23'150-200 could lead prices to test 23'500-600. Important resistance is at 23'700-750 and support at 22'450-500.

China – The ZCE cotton futures market has been consolidating around 15'500 (basis Jan19 contract). Short- and long-term outlook are negative with the next minimum downside target sitting at around 15'000-14'800. With more seed cotton delivered to gins, prices for seed cotton have also weakened. Heavy snow and cold weather are reported in north Xinjiang today which might cause some losses on unpicked cotton. The general economic situation is not encouraging, and stock market is falling sharply. Therefore, mills are hesitating to buy for the moment.