

**Weekly Journal for China Cotton Market (Oct 20-Oct 24)**
**I. Weekly Statistics**
**1. Cotton China Index (CC Index)**

|                |            |            |            |            |            |            |
|----------------|------------|------------|------------|------------|------------|------------|
|                | <b>129</b> | <b>229</b> | <b>329</b> | <b>328</b> | <b>429</b> | <b>527</b> |
| <b>Average</b> | 12822      | 12594      | 12301      | 12179      | 11940      | 11582      |
| <b>Change</b>  | -297       | -329       | -342       | -339       | -287       | -204       |

Quotations in RMB Yuan per ton, delivered mill

**2. FC Index (Foreign Cotton Index)**

|                 |                    |                   |                     |
|-----------------|--------------------|-------------------|---------------------|
| <b>FC Index</b> | <b>FC Index SM</b> | <b>FC Index M</b> | <b>FC Index SLM</b> |
| <b>Average</b>  | 66.48              | 64.11             | 62.40               |
| <b>Change</b>   | 0.10               | 0.20              | 0.45                |

FC index in US cents per lb CFR China ports

**3. CNCE e-trading (China National Cotton Exchange)**

| Contract      | Volume      |        | O/I    |        | High  | Low   | Average | Price |
|---------------|-------------|--------|--------|--------|-------|-------|---------|-------|
|               | Accumulated | Change | Oct 24 | Change |       |       |         |       |
| <b>MA0810</b> | 60          | -660   | 120    | -60    | 12180 | 12180 | 12180   | -427  |
| <b>MA0811</b> | 360         | -940   | 2040   | -120   | 12080 | 11901 | 12010   | -318  |
| <b>MA0901</b> | 15560       | 260    | 16180  | 1560   | 12300 | 11800 | 12134   | -357  |

Volume and Open Interests in tons, Price in RMB Yuan per ton

MA--China cotton 229B, MD--China cotton 428B, MJ--Foreign cotton 229B, MK-- Foreign cotton 428B

**4. ZCE(Zhengzhou Commodities Exchange) (Oct 20 - Oct 24)**

| Contract     | Price |       |       |        |         |        | Volume      |        | O/I     |        |
|--------------|-------|-------|-------|--------|---------|--------|-------------|--------|---------|--------|
|              | Open  | High  | Low   | Settle | Average | Change | Accumulated | Change | Aug 22  | Change |
| <b>CF811</b> | 12420 | 12420 | 12120 | 12180  | 12215   | 12385  | -170        | 636    | -1014   | 656    |
| <b>CF901</b> | 12345 | 12410 | 12060 | 12275  | 12230   | 12235  | -5          | 309558 | -221934 | 36478  |
| <b>CF905</b> | 12710 | 12780 | 12445 | 12550  | 12520   | 12630  | -110        | 34136  | 620     | 14708  |

Volume and Open Interests in contract, each contract is 5 tons. Price in RMB Yuan per ton

**5. Cotton byproducts price**

|                |                          |                          |                                 |                          |
|----------------|--------------------------|--------------------------|---------------------------------|--------------------------|
|                | <b>Cotton Meal (42%)</b> | <b>Cotton Seed (13%)</b> | <b>Cottonseed Oil (Level 4)</b> | <b>Second-cut Linter</b> |
| <b>Average</b> | 2116                     | 0.86                     | 6473                            | 3192                     |
| <b>Change</b>  | -152                     | -0.06                    | -256                            | -105                     |

Price in RMB Yuan per ton

**6. Exchange Rate of RMB vs US dollar**

| Date          | Oct 20 | Oct 21 | Oct 22 | Oct 23 | Oct 24 |
|---------------|--------|--------|--------|--------|--------|
| Middling rate | 6.8297 | 6.8309 | 6.8339 | 6.8368 | 6.8357 |

## II Market review

### 1. Spot market

The first batch of government cotton reserve was conducted on last Tuesday, which was modified to fixed price on Wednesday, i.e. at 12600 yuan per ton. 220 thousand tons Xinjiang cotton reserve was quickly finished in four days. Because of this, cotton price stopped fast falling down during the last part of the week and market confidence was relieved. However, general price trend was unchanged. At the end of the week grade 3 lint cotton was lowered to 11500 yuan per ton. Textile mills continued to lower its lint cotton storage because they still believe the cotton price will go down. Cotton farmers were unwilling to sell, dissatisfied with the seed cotton price. Some farmers chose to plant wheat not cotton, and others are waiting for more government policies.

### 2. Imported cotton

The world economy situation is continuing to deteriorate, and the tunes of cotton and textile industry in China is also sad. The mills was not hurry to import cotton with the pace of hand to mouth, as the spot price was expected to be lower following with the weaker of ICE cotton futures.

Recently the cotton of consignment or would be shipped on the fourth quarter contracted in China was US cotton mainly. Indian cotton was less concluded.

### 3. Forward trading of CNCE

With the influence of government reserve of Xinjiang cotton at the price of 12600 yuan per ton, e-trading market on CNCE on October 23 was stimulated by such good news, but the whole general market was still down. Many traders kept close watch by side, thus trading volume was narrowed than the previous week. MA0901 and MA0903 were actively traded, with the volume over 10,000 tons. Market confidence was better and open interests were increased for some forward contracts. Weekly average price for near-month contract MA0811 was 12010 yuan per ton and 12134 yuan for lead contract MA 0901.

### 4. Zhengzhou Commodities Exchange (ZCE)

On Zhengzhou commodities exchange, cotton opened higher but went lower at the beginning of last week, then fluctuated in narrow band, 901 contract price fell into the range of 12410-12060 yuan per ton. And lead contract 0901 fell near to the previous week lower point of 12010 yuan twice, but failed to break it. Two characteristics of ZCE cotton were near-month contract 0811 fell down sharply; another was near-month contracts show stronger but weaker for forward contracts. Price spread for 901 and 905 contract narrowed from 395 yuan per ton to 275 yuan last week.

### 5. Textile market

Most important thing in last week was the reserve of 220 thousand tons of Xinjiang HVI cotton. Although tariff rebate for some textile products were increased to 14%, but domestic cotton and cotton yarn kept going down. Also it can be seen from trading volume of Guangzhou Trading Exhibition Show that textile companies conducted much less trading this year. Some cotton yarn went down 500-800 yuan per ton, however price for 80S carded yarn kept relatively stable for good order. Entering the end of October, price for polyester staple fibre and viscose staple fibre went down sharply, breaking 8000 yuan per ton and 15000 yuan per ton. Cotton textiles mills preferred to use chemical fibre to cotton in order to lower storage pressure.

### III Economic News & Weather

#### Macro-economic News

1. The country's State Council has approved a total of two-trillion-yuan (292.2 billion U.S. dollars) investment in railways construction, which was set in the Mid-term and Long-term Railway Network Scheme issued in 2004, according the Ministry of Railway (MOF).
2. China's top economic planning agency National Development and Reform Commission (NDRC) said on October 20 that it would raise the minimum purchasing price for wheat by as much as 15.3 percent starting next year. The move aims to boost rural income and grain output.

#### Weather in China's cotton regions

The slightly snow and rain was reported in north part of Xinjiang region. Sunny and clear weather had prevailed in south region. Harvest had reached a successful conclusion in north Xinjiang. A little slower progress was reported in south region, which proportion of harvest was close to 70 percent.

The overcast weather ruled across the most of regions in Yellow River Valley as the cold front influenced. Rainy weather was reported in Hebei, Shandong and Henan province. Picking therefore was at a standstill. The 70 to 80 percent of crop has been harvested in the above regions. Harvest in Shanxi and Shaanxi provinces has closed to the end.

The rainy weather was also reported in Yangtze River Valley. The late-season rains will have an adverse affect on quality of lint and also influenced the harvest activities. According to the report, Hubei have made the fastest progress of harvest with 80 percent of crop off the stalk, and 70 percent in Anhui. Harvest in both Jiangxi and Hunan has closed to 60 percent and Jiangsu almost reached 50 percent.