

Weekly Journal for China Cotton Market (Oct 27-Oct 31)

I. Weekly Statistics

1. Cotton China Index (CC Index)

	129	229	329	328	429	527
Average	12531	12296	12001	11882	11644	11297
Change	-291	-298	-300	-297	-296	-285

Quotations in RMB Yuan per ton, delivered mill

2. FC Index (Foreign Cotton Index)

FC Index	FC Index SM	FC Index M	FC Index SLM
Average	64.13	61.66	59.34
Change	-2.35	-2.45	-3.06

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 31	Change				
MA0811	540	180	1700	-340	12020	11950	11979	-31
MA0812	4900	240	5660	780	12075	11908	12026	-15
MA0903	16660	4000	17860	1080	12370	12132	12247	-16

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 27 - Oct 31)

Contract	Price						Volume		O/I	
	Open	High	Low	Settle	Average	Change	Accumulated	Change	Oct 31	Change
CF811	12175	12180	11810	12030	12070	12215	-145	362	-274	628
CF901	12190	12350	12100	12170	12170	12230	-60	97770	-211788	33748
CF905	12465	12595	12385	12465	12445	12520	-75	17188	-16948	15932

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

5. Cotton byproducts price

	Cotton Meal (42%)	Cotton Seed (13%)	Cottonseed Oil (Level 4)	Second-cut Linter
Average	1937	0.81	6218	3072
Change	-179	-0.05	-255	-120

Price in RMB Yuan per ton

6. Exchange Rate of RMB vs US dollar

Date	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Middling rate	6.8360	6.8369	6.8318	6.8270	6.8258

Market review

1. Spot market

Spot cotton market kept going down sharply. Textile mills were more cautious to buy because of unpromising order from downstream industry and devaluation of raw material stocks, and the payment period was extended. In order to stable the cotton market, the government decided to increase the reserve of one million tons, including Xinjiang cotton and others. It indeed supported the market only to some extent. CC Index 328 averaged weekly at 11882 yuan per ton, down 297 yuan; CC Index 229 averaged weekly at 12296 yuan, down 298 yuan.

2. Imported cotton

Domestic cotton price kept continuous going down sharply, which hurt cotton related enterprises. And because the future for world economy is still uncertain, textile mills were unwilling to increase their import although foreign cotton price fell to the lowest price.

3. Forward trading of CNCE

At the end of last week, ICE cotton futures price went down the lowest level since February 2005. No confidence was found both in cotton futures and spot markets, till now it is not clear which price was the bottom. No buying from mills can not offer support to cotton prices. With the influence of government preserve of one million tons, CNCE e-trading market traded in narrow range, but no detail regulation about cotton except Xinjiang was released, thus traders chose to stand on watch. Open interests increased remarkably but market disagree on later market trend. Near contract MA 0811 averaged at 11979 yuan weekly, and lead contract 0903 averaged at 12247 yuan.

4. Zhengzhou Commodities Exchange (ZCE)

Cotton futures on Zhengzhou commodities exchanges decreased the trading volume. The trend of falling down was slowed. Lead contract 0901 closed at 12170 yuan per ton, 60 yuan lower than previous week, and the trading range was 12350-12100 yuan, narrow trading range. Nearly all contracts went down less than 90 yuan except near contract 0811.

5. Textile market

During last week, price of cotton, polyester fibre and viscose fibre continued going down, which influenced yarn price fall continuously. At the same time, some cotton gray fabric followed the going down. Insufficient demand and lack of fund were still key problems facing textile enterprises. During October, price for polyester staple fibre went down over 3000 yuan per ton, but mills still buy raw materials hand to mouth.

Economic News & Weather

Macro-economic News

1. The central government's budget, as approved by the State Council, recently allocated 1 billion yuan to be used specifically on credit guaranties for SMES (small and medium-sized enterprises)..
2. China's government should continue efforts to expand domestic consumption amid the global economic uncertainty, said Liu Tienan, Vice Minister of the National Development and Reform Commission.

Weather in China's cotton regions

The open weather was reported in most Xinjiang region last week. Sporadic rain and snow were recorded in north region. Sunny and clear weather ruled across the south region, allowing growers to continue fieldwork without interruption. Harvest in north region has concluded and south region reached 70 percent.

The cold front had moved out from the Yellow River Valley, fieldwork continued under the clear and windy weather. Harvest in Hebei, Shandong and Henan province was reported at 75 to 85 percent, Shanxi and Shaanxi province have almost finished the harvest.

Most parts in Yangtze River Valley had received rains since the cold front influence. Producer concerned the late precipitation will take adverse effect on the quality of cotton and harvest at standstill. Hubei have made a best progress for harvest which over 85 percent of seed cotton had been picked, Anhui was closed to 75 percent, Jiangxi and Hunan was 65 percent, Jiangsu was less than 60 percent.