



China Sourcing Update

March 7, 2018

Prices of Natural Textile Materials

1. Cotton price indices edge down in February

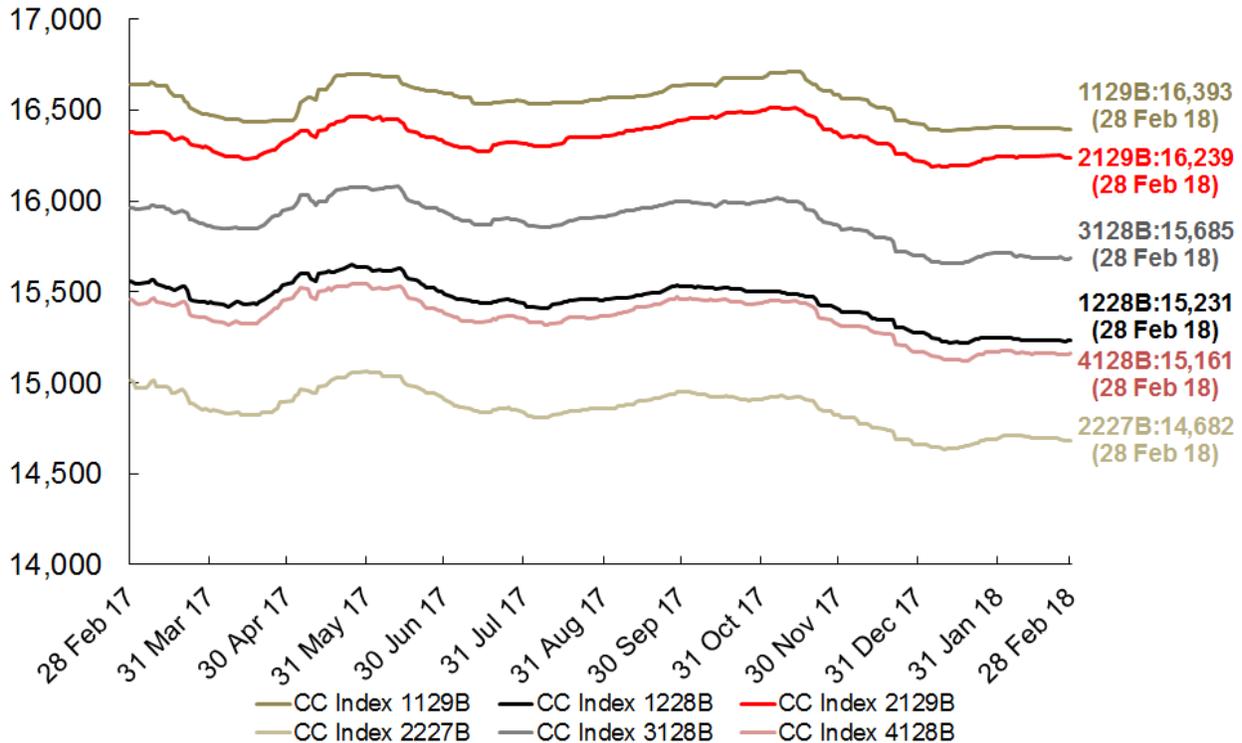
The price indices¹ of cotton dropped slightly in February. The CC Index 3128B, for example, inched down from 15,715 on 31 January to 15,685 on 28 February (see *exhibit 1*).

There was not much activity in the domestic cotton market during and around the Chinese New Year holidays, leading to stagnation of cotton prices in the month.

Going forward, the domestic supply of cotton is expected to remain abundant, as the Chinese government will sell its cotton reserves again from 12 March to the end of August. Nevertheless, high prices of cotton futures in the international markets are likely to lend support to domestic cotton prices in the near future. All in all, we believe that domestic cotton prices will hover around the current levels in the coming months.

¹ The indices, compiled by the China Cotton Association, track cotton prices quoted from over two hundred textile enterprises. <http://www.china-cotton.org/>

Exhibit 1: China's cotton price indices, February 2017 to February 2018



* Since 8 October 2013, the China Cotton Association has officially published the price indices of cotton based on a new classification for cotton. The price indices based on the previous classifications for cotton (i.e. CC Index 229, CC Index 328 and CC Index 527) were discontinued on 8 October 2013.

Source: China Cotton Association

2. Nanjing Wool Market Composite Index goes up in February

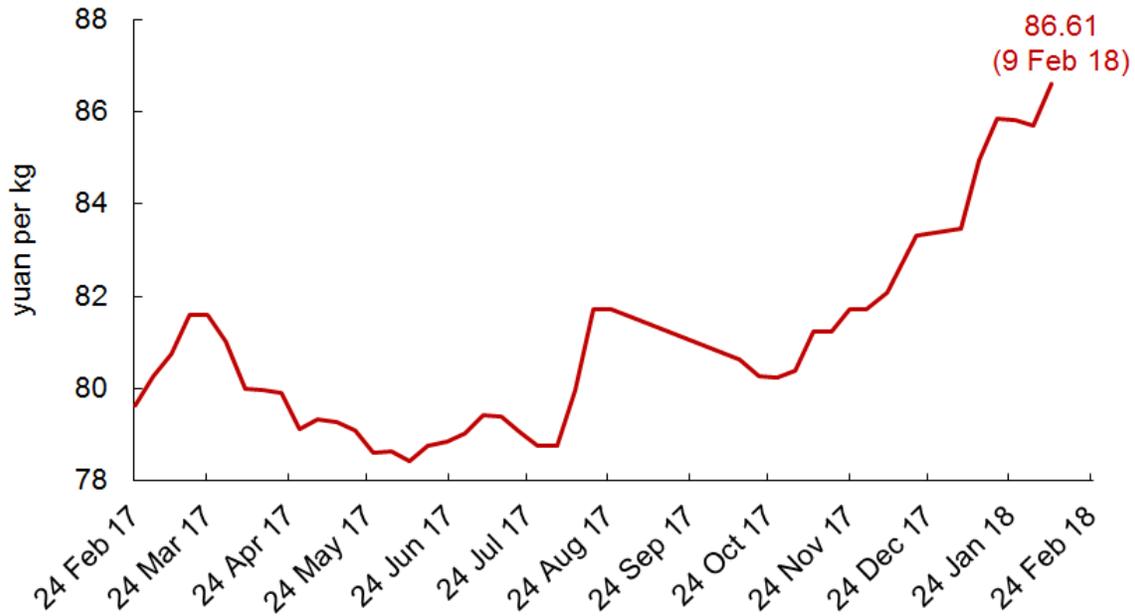
The Nanjing Wool Market Composite Index², one of the major wool price indices in China, increased from 85.83 yuan per kg on 26 January to 86.61 yuan per kg on 9 February (see exhibit 2).

The rise in wool prices in China in early February was triggered by an increase in wool prices in Australia in the period. The Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) went up from 89.36 yuan per kg on 25 January to 89.91 yuan per kg on 9 February, boosted by a strong demand from Chinese mills. As China imports a large amount of wool from Australia, the domestic wool prices are significantly affected by the wool price movements in the Australian market.

² <http://www.woolmarket.com.cn/>

Looking ahead, we believe that domestic wool prices will stay high in the near term, in line with the wool price movements in Australia.

**Exhibit 2: Nanjing Wool Market Composite Index,
February 2017 to February 2018**



Source: The Nanjing Wool Market

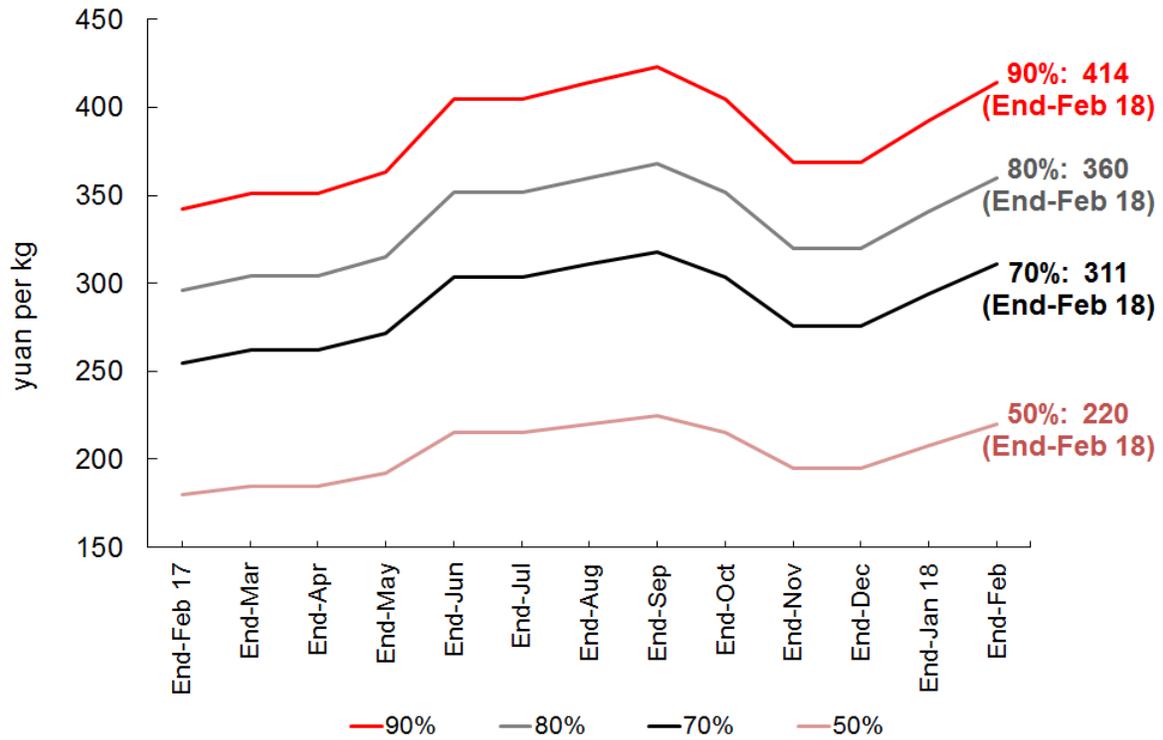
3. Prices of grey goose down rise in February

The prices of various types of grey goose down went up in February. For example, the price of 80% grey goose down climbed from 341 yuan per kg at end-January to 360 yuan per kg at end-February (see exhibit 3).

The main reason for the increase in the prices of grey goose down was a stronger demand for goose down products as the weather turned colder in the month, in our view.

Going forward, the demand for down is likely to decline in the coming months as the low season for down products is approaching. Thus, we expect that the prices of grey goose down are unlikely to rise further in the near future.

Exhibit 3: Prices of grey goose down, February 2017 to February 2018



Source: cn-down.com

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