



China Sourcing Update

February 25, 2019

Prices of Natural Textile Materials

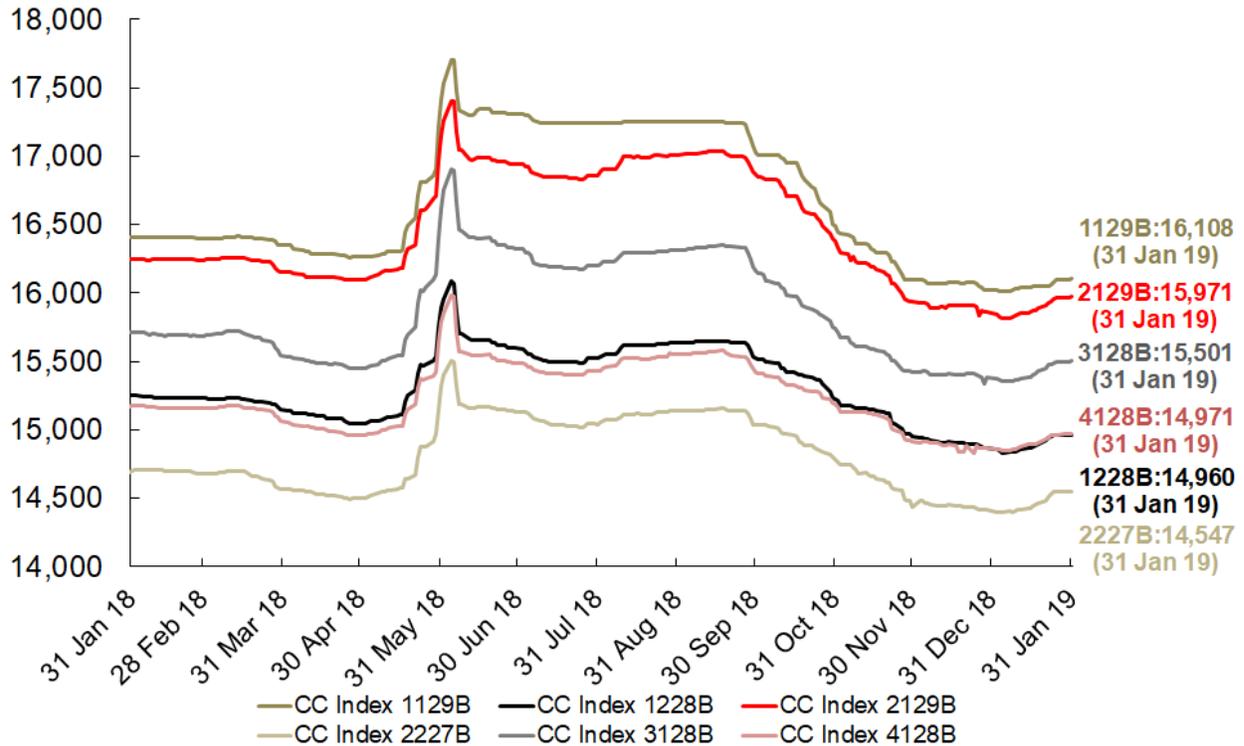
1. Cotton price indices rise in January

The price indices¹ of cotton rose in January. The CC Index 3128B, for example, went up from 15,383 on 29 December to 15,498 on 25 January, and then stayed relatively stable until the end of January (*see exhibit 1*). The rise in the domestic cotton prices in January was highly associated with an improvement in market confidence due to positive news about China-US trade negotiations during the period.

Looking ahead, we expect that the movement of China's cotton prices will depend largely on the progress of the trade negotiations between China and the US, which would affect sentiments of downstream manufacturers. In our view, it is possible that a deal of some sort could be reached before 1 March to allow for further negotiations between the two countries. Trump also indicated that he would consider extending the 1 March deadline for trade negotiations if both sides are close to reaching a deal.

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, January 2018 to January 2019



Source: China Cotton Association

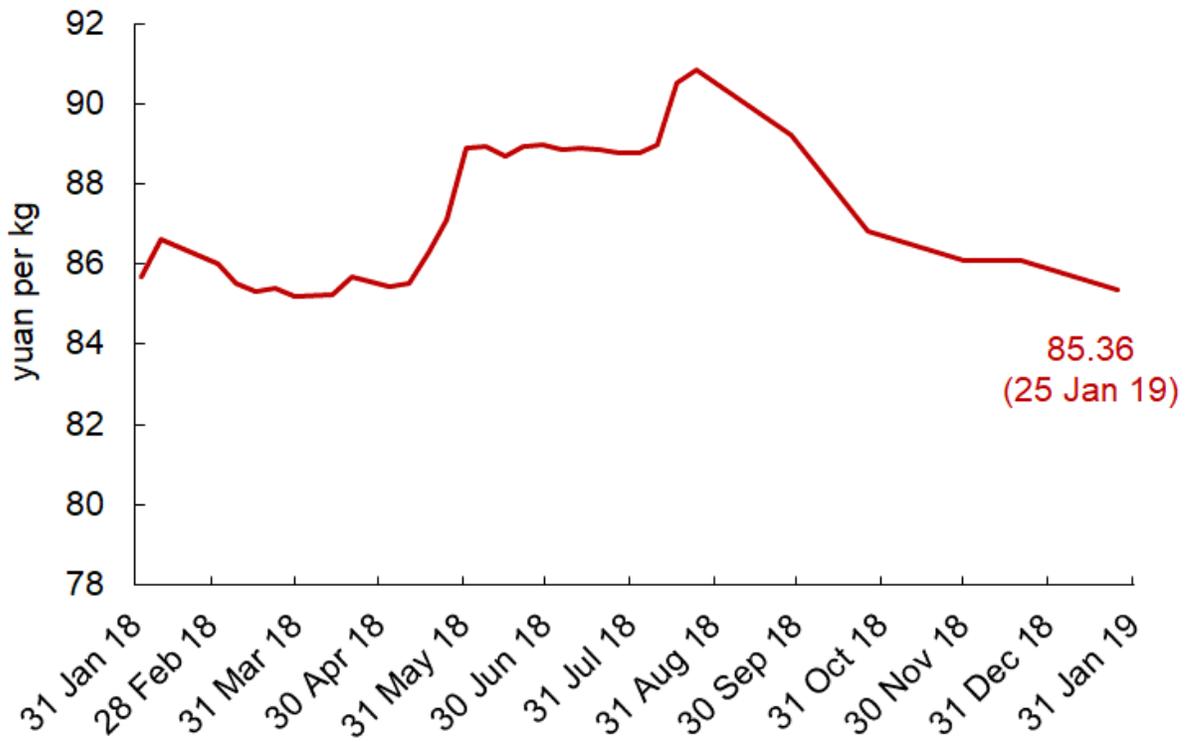
2. Nanjing Wool Market Composite Index falls in January

The Nanjing Wool Market Composite Index², one of the major wool price indices in China, went down from 86.10 yuan per kg on 21 December to 85.36 yuan per kg on 25 January (see exhibit 2).

Looking forward, we expect that domestic wool prices will show a rebound in the near future, driven by the latest increase in wool prices in Australia. The Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) went up from 92.98 yuan per kg on 25 January to 94.75 yuan per kg on 15 February. 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/>

**Exhibit 2: Nanjing Wool Market Composite Index,
January 2018 to January 2019**



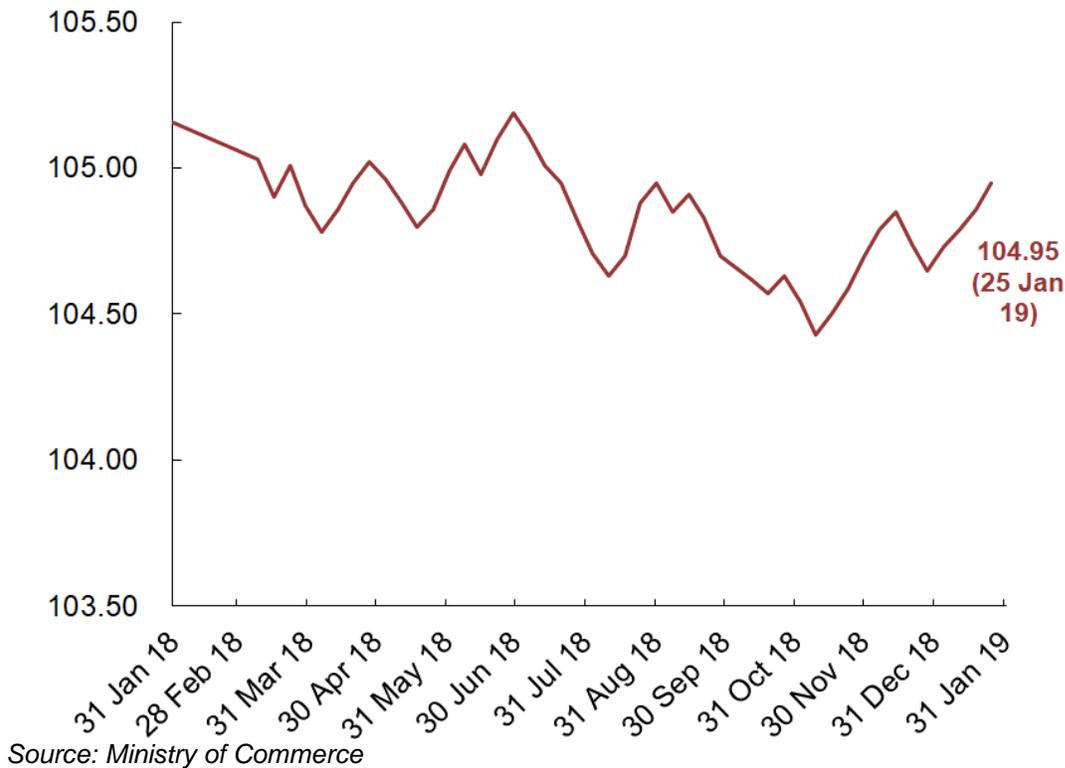
Source: The Nanjing Wool Market

3. Price index of silk edges up in January

The price index of silk rose in January, going up from 104.65 on 28 December to 104.95 on 25 January (see exhibit 3). The rise in the index was due mainly to an improvement in downstream demand.

According to media reports, manufacturers of silk fabrics have received more orders recently. Therefore, we expect the silk prices to stay high in the near term.

Exhibit 3: Price index of silk, January 2018 to January 2019

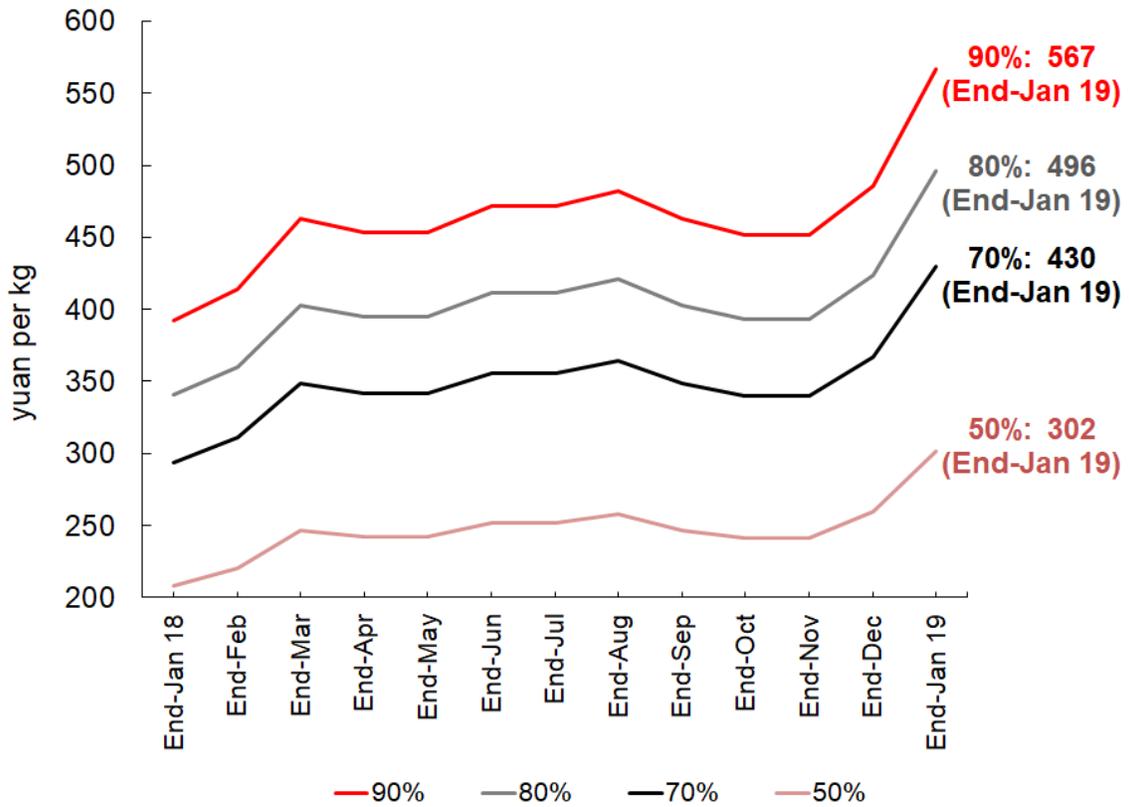


4. Prices of grey goose down go up in January

The prices of various types of grey goose down rose in January. For example, the price of 80% grey goose down came in at 496 yuan per kg at end-January, up from 424 yuan per kg at end-December (see exhibit 4).

Going forward, we expect the prices of grey goose down to stay around the current levels in the near future, as temperatures in most regions in China have recently been lower than their historical averages and thus Chinese consumers are likely to have stronger desire to purchase down products.

Exhibit 4: Prices of grey goose down, January 2018 to January 2019



Source: cn-down.com

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