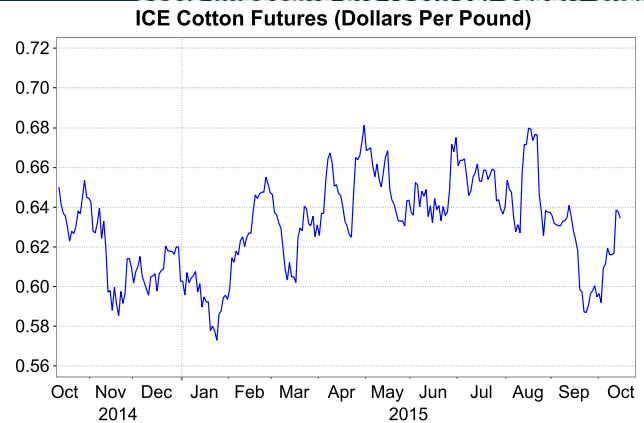
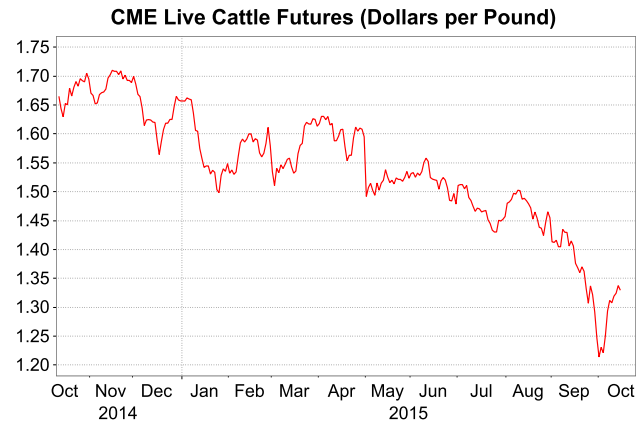




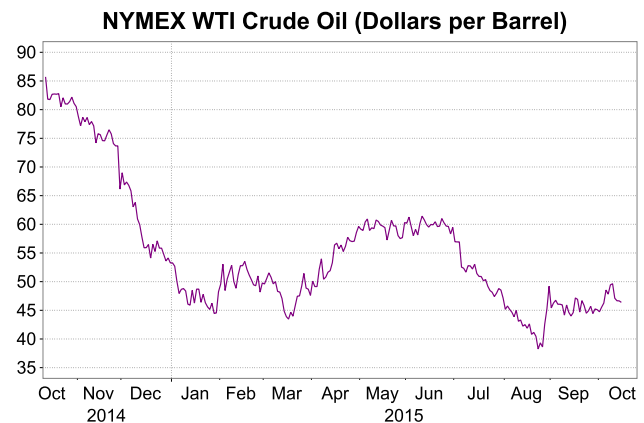
Textiles: After retreating in mid-September to the lower end of our expected price range, ICE nearby cotton futures rebounded to the higher end of our range by mid-October following record-breaking rainfall across East Coast cotton areas. South Carolina in particular is likely to see its wettest October on record, unwelcome as bolls are open across the local crop. Still, much of the Lubbock-area crop is faring well as picking gathers momentum, offsetting poor reports from the East. Mill demand for cotton is still weak worldwide and Chinese cotton importers remain on the sidelines, keeping the market on the defensive. We remain comfortable with a price range in the low 60s through the harvest before firming modestly into early 2016.



Leather: Live cattle futures on the CME ended September at the lowest in two years, only to ricochet impressively over the first half of October. Owing to a recent sag in the dollar and a surge in weekly export beef sales, prices jumped to \$1.35/pound, its highest in more than three weeks. But year-to-date beef exports are lower versus the same period in 2014, keeping any rebound contained. We expect prices into early 2016 to average \$131-\$141/cwt and \$136-\$147 for the full year. If so, look for hide prices to firm a bit in 2016 after sagging to lows in the fourth quarter. But we maintain that any bounce likely will keep average hide prices next year comparable to 2015 rates.



Oil: After a relatively stable month in September, crude oil price benchmarks rallied modestly in early October on expectations of lower US output and rising tensions in the Middle East. Record Iraqi output more than offset a dip in Saudi supply, causing little net change in global supplies. Looking ahead, global demand growth is expected to slow from 1.8 million barrels/day in 2015 to 1.2 million barrels/day in 2016 on prospects for slower global economic growth ahead. As a result, the Energy Information Administration forecasts West Texas Intermediate (WTI) crude oil prices will climb from an average \$49.53/barrel in 2015 to \$53.57/barrel in 2016, suggesting a slow, upward drift to the market.





Rubber: Global rubber markets are little changed over the last seven weeks near six-year lows. In fact, rubber futures on the TOCOM, SICOM, and Shanghai exchanges remain constrained to narrow ranges, not deviating more than 2% from their averages over this period. The bears say Vietnamese rubber exports sank to their lowest August in six years, while the bulls counter Chinese imports of natural and synthetic rubber jumped to a nine-month high, largely offsetting sentiments. Following the current consolidation the IMF sees rubber prices slipping in the fourth quarter before recovering modestly in 2016 but averaging less than witnessed in 2014.

RSS3 Rubber Futures (US Cents per Kilogram)



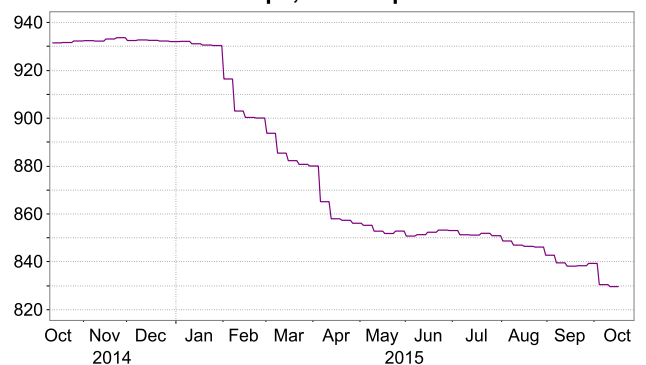
Polyester Fiber & PET Plastic Containers: Mirroring the recent rally in crude oil markets, nearby PTA futures on the Zhengzhou exchange firmed during the second week of October to a three-month high. Even so, our long-held view that prices for a range of petroleum-based products will ebb in 2015 for the fourth straight year remains on track. Looking ahead to 2016, prospects for modest recoveries in petroleum and cotton markets next year suggest prices for PET and PTA may improve in concert, with prices likely to average slightly more than the 4,694 RMB/metric ton averaged so far this year.

Zhengzhou Commodity Exchange PTA Nearby Futures



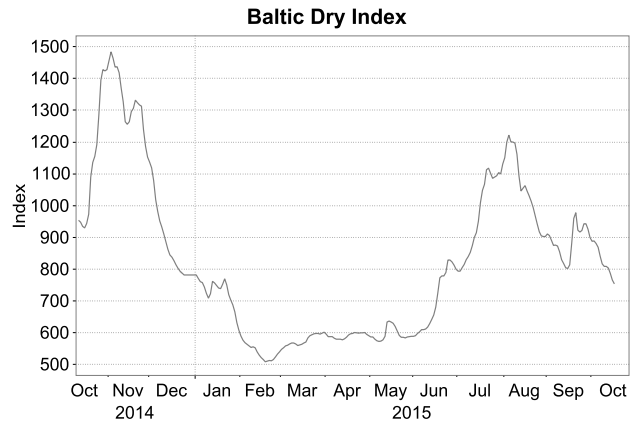
Shoe Boxes: Global softwood pulp prices continue their gradual erosion, lower in sympathy with weaker soft sawnwood prices. At \$829.62 per metric ton, the FOEX PIX pulp benchmark index--a key gauge of this pulp market--is plumbing its lowest in two and a half years. A key driver behind this weakness, the Canada-U.S. Softwood Lumber Agreement expired this week. Without an extension, the agreement's absence could weigh on global soft sawnwood prices well into 2016, especially if prospects for slower global economic growth come to fruition. If so, derivative pulp prices likely will fare likewise, suggesting weakness for a range of pulp products, including paperboard and containerboard.

FOEX PIX Softwood Pulp Benchmark Index NBSK in Europe, Dollars per Metric Ton





Ocean Shipping Costs: A common--if volatile--gauge of global shipping costs, the Baltic Dry Index tumbled over the last three weeks on mounting concerns of slower global economic growth. At just 754, this index is plumbing a four-month low and has more room to sag further in the fourth quarter, owing in particular to a dimming outlook for the demand for bulk commodities from China. We continue to look for the BDI to fade further in 2015, lower for the sixth time in the last eight years. In a market in which there is already an oversupply of vessels, there is little scope well into 2016 for the index to see any major, sustained upside.



Exchange Rates: The US Dollar Index remains range-bound, with our earlier expectation of support at 94 holding firm. Recent lackluster economic data, including September's nonfarm payrolls and the Institute for Supply Management's non-manufacturing Purchasing Managers' Index, have weighed on the dollar near this low as they give markets the sense that growth struggles overseas are reaching the U.S. This uneven data has clouded the outlook for the Fed and the path for interest rates, keeping the dollar listless. Fed watchers are pushing back expectations for the central bank to raise its benchmark short-term interest rate into 2016 from its December policy meeting. This postponement could keep commodity prices in the fourth quarter listless as well until the outlook for the dollar grows clearer early next year.

