

Cleveland On Cotton: Trading Range Poised To Weaken More?

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While cotton prices slipped this week, the market's price support at 60.00-60.30, basis December futures – held firm. Thus, the traditional dead cat bounce was averted, at least for now.

Yet, expect December trading to continue to challenge that support level and work diligently to move below 59 cents. A confirmed close below 60 cents will verify that the rally was nothing but a dead cat bounce, opening the way for a fall to 55-56 cents.

For now, the bulls must be satisfied with a ten-session gain of 194 points. Granted, the market settled the week only some 40-plus points above its breakout, but it remains in positive territory.

The week was characterized by subpar export sales and export shipments, improved crop estimates in the U.S., especially in the Midsouth and Southeast, and a noted amount of grower price fixations on the December contract. So, growers did take some advantage of the 400-point equities offered during the New York ICE futures advance.

Chinese Mills Bail In A Big Way

The export sales report continued to verify weekly cancellations by Chinese mills. This week, Chinese mills canceled another near 40,000 bales in export sales.

Additionally, some cotton sold to Hong Kong was cancelled, but instead went to Vietnam. Net export sales of Upland were only 85,000 bales while Pima sales total 15,900 bales. Upland shipments included 166,600 bales and Pima shipments were 7,200 bales.

Primary destinations of Upland were Vietnam, Indonesia and Mexico. Some 18,800 bales were shipped to China, a clear indication that not all sales will be cancelled. On a somewhat troubling note, new sales for the 2020-21 marketing year were only 19,300 bales. The primary buyer was Bangladesh. Small sales were made to Colombia, Costa Rica and Mexico.

Weekly sales have been noted to Pakistan and will continue to be noted. Pakistan could import as much as two million bales, it's been suggested, although that estimate is highly over stated, some suggest. Yet, if the current trading range holds, then there may well be validity in that news.

Export commitments for the marketing year now total approximately 8.6 million bales, of which some 1.5 million have been shipped. Given the market's interest in China, it should be

noted that remaining U.S. sales to China total about 1.74 million bales. To date only 119,100 bales have been shipped to China. Another 46 weeks remain in the cotton marketing season.

The current trading range stretches from about 60.25 to 64.50 cents, which can remain alive only by some unforeseen production news. Otherwise, expect the market to slip into the prior trading range, 56-60 cents.

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