Cleveland on Cotton: Simply, the market is quiet

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By O.A. Cleveland, Consulting Economist, Cotton Experts

This is one of those times when the market, quiet as it is, is begging for some direction as to where to go and just how to get there. Simply, the market is quiet. There were some changes in the supply side of the price equation this week, but they tended to be offsetting. Yet, the market continues to maintain its sleepy look. Thus, for now our old adage, "Never sell a sleepy market." is the feature that rules the market. As much as I want to price at 65 cents, I continue to believe it is prudent to hold. Yet, I do note the market was down 26 points on the week. The 61-66 cent trading range is still holding firm. It likely will hold through another USDA world supply demand report. Yet, I still feel one should begin scale up pricing at the upper end of this range. History tells us not to sell a sleepy market, but it also tells us that the longer a trading range lasts without breaking into a new higher range, then the greater the likelihood is that prices will move lower.

The big fundamental—Government—is likely providing solid support just above 64 cents and is the primary reason some predict that the market is headed to a new higher trading range. Yet, while "official" announcements appear to suggest progress in resolving differences with China, the same precise nearly two-year old roadblocks to a resolution continue to shine through all comments about any resolution. I hear some talking about price resistance near 77 cents, granted they mention multiple layers below that level. Yet, it is all but unreasonable to even mention 77 cents. I think they are looney. Yet, hopefully they will be correct.

Other fundamentals appear to be set for now. The Southeast and MidSouth are in fact harvesting the crop predicted by USDA and quality has been very good. That may change after this week's showers. Initial grades in Southwest were excellent, but weather will likely change that somewhat. The West is another location with yields and quality achieving projected estimates. The demand side of fundamentals remain somewhat weakened by the world economy and the fact that exporting countries have an overabundance of supply. This is working to keep prices under pressure. I would be incorrect to say there have not been any major changes in the supply demand situation, but generally the changes have been offsetting, i.e., a smaller Chinese crop and a larger Indian crop.

As mentioned last week a very heavy level of selling pressure lies just below 66 cents. That is why December futures falterer so quickly on any challenge of 66 cents. Growers and cooperatives have been heavy sellers on moves above 65 cents. Too, as noted last week, a virtual wall of selling will kick in above 65.90 cents. Thus, the current five cent, 61-66 cents trading range will remain.

U.S. export sales and shipments were very week during the week. Net Upland sales were near 143,000 bales while Upland shipments were only some 148,000 bales. China remained out of the market for U.S. growths. Pakistan and Vietnam remained the major buyers. The market has very high hopes that China will come to the U.S. looking for significant purchases. Again, I hope that will be the case. Yet, I don't sense any particular need by the Chinese to purchase U.S. growths this year, except for some very high grades, or some very-very low grades, like 35-40 cent loan value cotton. Yet, in the back of my mind I continue to note that the Chinese crop is less than the USDA estimate…and the adage of never selling a quiet market.

Repeating from last week, more aggressive growers should consider scale up selling at 65.49 cents. In case of a trade settlement, growers should be prepared to act very-very quickly. The market adage of "Buy the rumor, Sell the fact," will likely prevail.

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