

Cleveland on Cotton: Market Refuses to Back Down

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Cotton just does not want to go down. Attempts to push prices below 93 cent have been short lived and have come without any muscle. Prices continue to creep back to 95 cents while keeping their eye on the 96-cent resistance level and the nearby objective of 97-100 cents. Additionally, prices continue to trade above all the moving average trend lines.

The weekly close was near the Friday highs; thus, positioning the market to break above 95 cents on Monday. The more times prices move above 95 cents the weaker the 96-cent resistance becomes. Traders are positioning themselves for next week's potential hurricane related crop losses across the MidSouth and Southeast.

Further, demand continues to hold strong despite transportation delays of containers coming into the U.S.

Additionally, merchants are facing delays in getting cotton loaded onto containers and exported to Southeast Asia and China. Retailers, themselves are now chartering container ships and air freight companies.

The U.S. consumer is all buying all apparel items the retailer can put on the shelf. Too, in a testament to cotton demand, cotton's share of textile purchases continues to rise—slowly but surely. Cotton is again becoming the Fabric of Our Lives. Kudos to the cotton industry and Cotton Inc. World supply and demand are tightening.

The world cotton scenario calls for higher prices. The market will continue to batter the 95-cent level and then the 96-cent level until prices eventually break out to the topside. Somewhat unnoticed has been the relatively lower priced Indian cotton that has filled the needs of yarn mills and hence the retail shelves.

This has been a boom to increased consumer demand. Demand is sufficient to allow for higher cotton prices despite the increased competition from oil based synthetic fibers...as world cotton supply eases lower and lower.