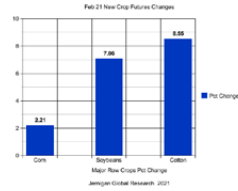
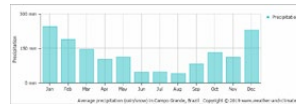




GLOBAL PETROCHEMICAL MARKETS EXPERIENCE A SURGE IN PRICES



US COTTON PRICES WINNING IN THE BATTLE FOR 2021 ACREAGE



BRAZIL CROP PLANTED/ APRIL-MAY RAINS CRUCIAL



ICE FUTURES COLLAPSE AFTER EXCEEDING 95 CENTS



JERNIGAN GLOBAL

— KNOWLEDGE IS THE NEW CAPITAL —

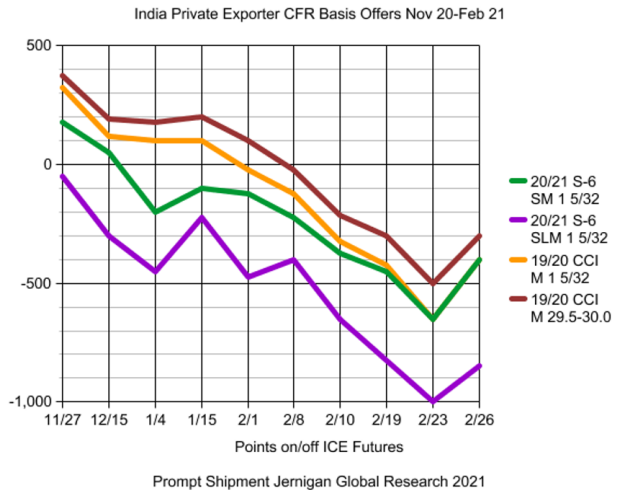
RECORD BASIS DISCOUNT MOVES LARGE BLOCK OF INDIAN COTTON INTO TRADE HANDS



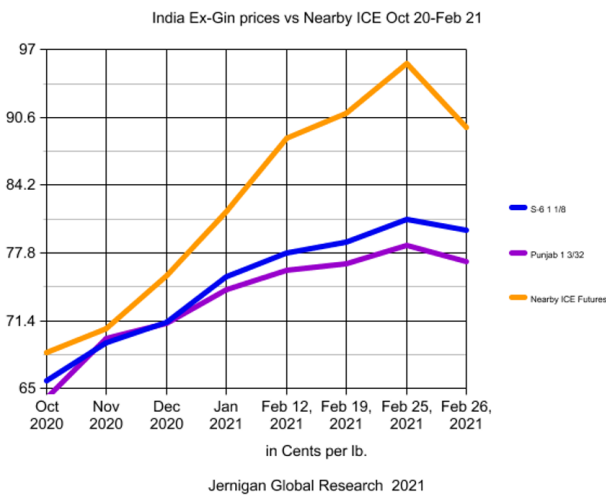
The price of an Indian Shankar-6 1 1/8 ex gin yard hit a new record low last week of 1267 point discount, while CFR Asia offers also moved to new lows in basis level. This discount made Indian cotton the focus of world trade last week both in the movement of cotton from origin into Trade hands and also from trade houses to spinners. The stocks held by the Cotton Corporation of India and Maharashtra Federation have been the center of trade, with heavy volumes moving last week at the daily E-Auctions. Approximately 1.1 to 1.2 million 170-kg bales moved out of these two state-owned groups' inventories into Trade hands in the February 22nd-25th time period. In addition, sales occurred from private merchants into Trade hands of stocks out of the CCI and Maharashtra. More than 700,000 bales of new crop were estimated



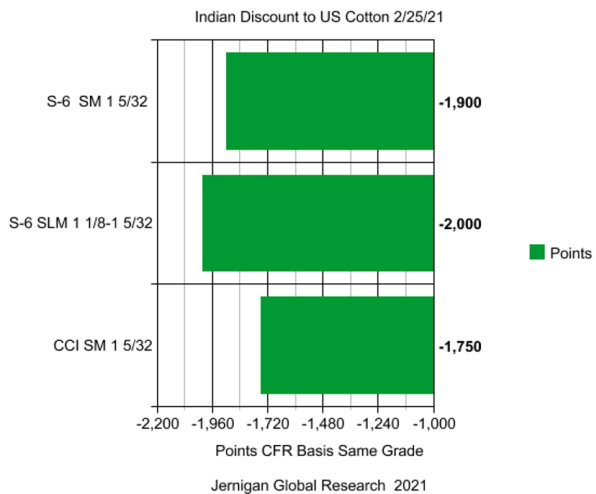
to have arrived from farmers at gins sites last week. A record volume of Indian cotton moved into Trade hands over the last two weeks as ICE rallied over 1000 points and the Indian basis collapsed. This created a value proposition for the international trade seldom ever experienced. The trade houses have in turn sold this long basis position aggressively into several markets. Over the last week, the largest market was Chinese trading groups. The discount of Indian prices to Chinese domestic prices also reached records. These trading houses have been able to take up the higher quality CCI stocks at 700 points off May or more for a Middling 1 5/32, which compares to a cash price of 112-115 cents in China, including VAT for a Middling 1 3/32. Such discounts provided trade houses with quite an opportunity. It is estimated that 800,000-1,000,000 170-kg bales of Indian sold to China last week.



cotton exports are headed to much higher levels than what was forecast. This, along with expanding domestic consumption, means Indian stock levels will be at a much less burdensome level as we move into 2021/2022. Cotlook has released its first forecast of 2021/2022 Indian production, which it has placed at 6.290 million tons or 28.9 million bales. This appears to be easily achievable given the returns enjoyed by growers. They have placed consumption at 25.7 million bales, a level we expect to be exceeded. Thus, the Indian surplus in 2021/2022 will be very limited unless production increases. The issue is the low yields, which means it takes significant acreage expansion.



The discount reached in Indian styles compared to US, Brazilian, and African Franc Zone illustrates the importance of quality and reduced contamination is in today's market. Bangladesh was also a sizeable buyer of Indian cotton last week, but even at the premiums also purchased African Franc Zone and Brazilian because of quality needs. Indian styles moved off to Vietnam, Indonesia, Turkey, and other destinations. In addition, the discount made Indian cotton yarns attractive in China and other markets. For example, even with the freight, Indian yarns are undercutting local spinners in Brazil. The ex-gin price of an Indian 1 1/8 S-6 was at a 1200-point discount to a Brazilian SLM 1 3/32 landed Sao Paulo, providing exporters with lots of room.



The volume of unsold stocks held by CCI and Maharashtra Federation at the end of last week is estimated to have fallen below six million bales. This is a remarkable volume of stocks moving out of state-owned stocks in 2020/2021. 2020/2021 Indian

By the end of the week, the collapse in ICE had caused the basis ex gin yard in India for a S-6 1 1/8 to rebound to 900 points off May and also allowed Indian exporters to raise CFR Asia export offers, taking the basis well off its record lows. CFR Asia basis levels by 2/26 stood at 400 off for an S-6 SM 1 5/32 private ginned. This reflected a 250-300-point improvement off the levels

that prevailed at the highs in ICE. A CCI Strict Middling 1 5/32 basis stood at 300 off May, which was up sharply from the inter-week lows. Indian cotton found

a strong value point last week, making them the center of World Trade.

XINJIANG BANS: CONCERNS EXPAND COTTON USE OUTSIDE CHINA



The Xinjiang cotton industry and textile and apparel industry just experienced a record year, and new investment in Xinjiang has not slowed, with zero evidence that the efforts from the US and others to ban imports from Xinjiang has had any impact on the behavior and policies of the CCP or any major economic impact on Xinjiang. It has, however, ignited a massive move by brands and retailers serving the US, Canada, Australia, United Kingdom, and some other markets to make their supply chain free of Xinjiang cotton. After several years of lobbying by a host of groups to stop the move to ban imports of Xinjiang cotton products, President Trump's China team and US Customs and Border Protection moved forward, implementing the ban and also putting in place one of the toughest enforcement mechanisms initiated. At the same time this work was being done, the plight of the Uyghurs and other minorities in Xinjiang became more broadly documented thanks to leaked documents and interviews with prisoners that provided inhuman details. The evidence grew to the point where the US called the efforts against the Uyghurs "Genocide." This has been endorsed by the Canadian Parliament and is under debate in several other countries. These events have caused the reputational risk to any international brand to become almost too high to except.

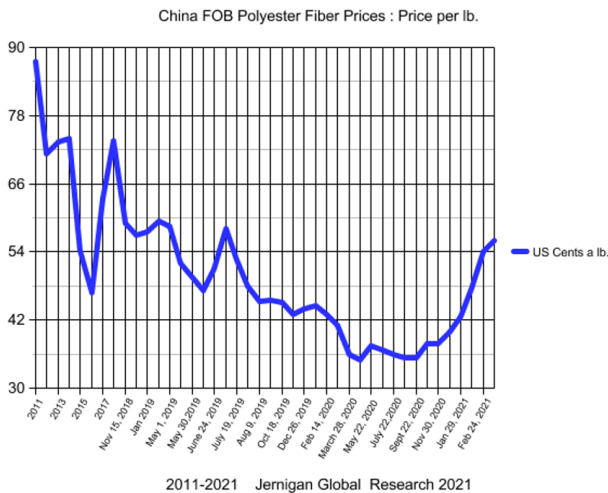
Just last week, the efforts made a feature story in the Washington Post, which said a year ago it was thought impossible to stop sourcing from Xinjiang, but today it has become a reality. Australia has introduced a

bill banning all imports from Xinjiang and also any product from China made with slave labor. Moreover, several efforts have begun to extend the bans to a boycott of the 2022 Winter Olympic Games in China. The moves to be Xinjiang-free centers on a test of the yarn used in the supply chain and then an option to check the finished products to assure non-Xinjiang cotton was used. This has created increased demand for imported cotton fiber and yarn. Consumption gains have occurred in Turkey, Pakistan, India, Bangladesh, Indonesia, and others as orders are switched. At the same time, cotton consumption in China has been maintained as the domestic market expands. Cotton appears to be increasing market share, and exporters focus on products made with Xinjiang cotton on European and Central Asian markets. The South China Morning Post reviewed Xinjiang export data and noted several surges in exports to Germany, Italy, and Belgium. German exports of textile machinery equipment and parts surged in 2020, reaching 41.2 million USD to Xinjiang alone. Xinjiang, since 2017, has been the center of a Belt and Road initiative between the European textile machinery companies as Xinjiang has been one of the largest investors in new textile equipment in the world. Italy also increased textile machinery parts exports to Xinjiang. Belgium was reported as importing a large volume of girl's jackets from Xinjiang. Italy's textile and apparel industry has deep links to China and has attracted major Chinese investment. The SCMP also reported that Italy is the largest market for tomato paste exports from Xinjiang.

Against this backdrop the entire Xinjiang ban and the corresponding improvement in the Chinese domestic market has provided the largest single 12-month boost to global cotton consumption in over a century. Evidence suggests that cotton use in Pakistan, India, Bangladesh, and Turkey has been boosted

by approximately more than two million bales as a result of sourcing changes. In the case of Turkey, the logistical advantage and the changes in the brands and retailers supply chain requirements since the pandemic have been drivers as well.

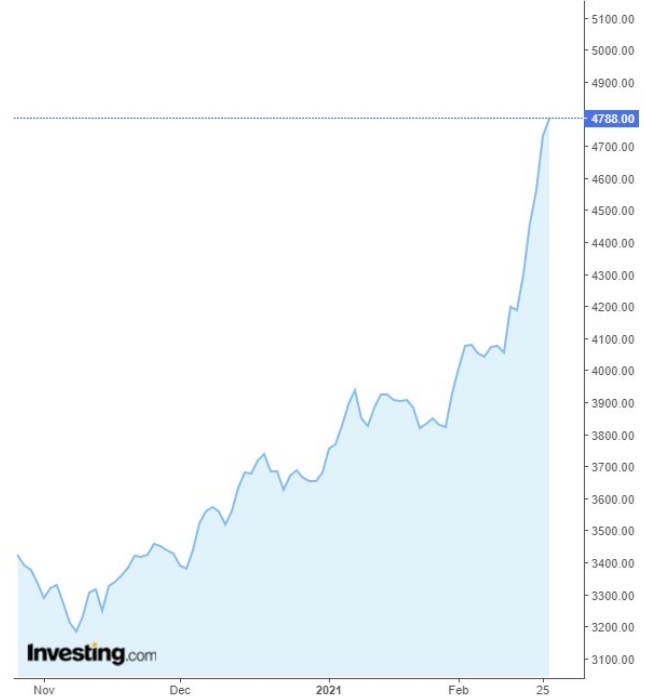
GLOBAL PETROCHEMICAL MARKET'S SURGE PUSHING POLYESTER PRICES SHARPLY HIGHER



The Global petrochemical and China’s textile raw material markets have rallied sharply since February 10th, with the entire supply gain posting sizeable gains. The events driving the surge appear to be the continued advancement in crude oil prices, low inventories, winter storm shutdowns of US plants, and very robust demand in the Chinese domestic market. The rally is led by polyester staple fiber (PSF). Polyester has been in a major bear market for nine years before bottoming due to China’s massive overbuilding of capacity and the coming online of cheap natural gas feedstock petrochemical plants in US. The bear market ended in September 2020 when PPE demand surged and allowed demand to finally catch up with the new production capacity. China FOB polyester prices in September had fallen to near 35 cents a lb., but from there prices began to recover, reaching 40.00 cents a lb. as 2020 ended. Prices advanced in January, and by the time the markets closed for the Chinese New Year they had reached 47.57 cents a lb. Since the reopening after the holidays, PSF has led the global rally in petrochemical prices, with spot FOB polyester prices surging 13.7% to 54.08 cents a lb., the highest price since early 2019. May polyester futures by February 25th reached 58.61 cents a lb. on heavy volume. The gains continued through the end of the week, with cash

spot PSF closing at 8,000 RMB a ton or 56 US cents a lb. The ZCE May PSF contract closed at 8,418 RMB or 59.14, with volume heavy throughout the period.

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ZCE Pure Terephthalic Acid, China, ZCE:CTAc1, D



The entire polyester and feedstock supply chain has been running on much lower inventories, and the price gains appear a reaction to strong domestic demand and disruptions in raw material production after major US plants shut down due to the Texas winter storm and increases in crude oil prices. The rally also spread throughout the textile supply chain. Strong gains were noted in Viscose fiber, Rayon, and Spandex, as well as the continued gains in cotton prices. The gains extended downstream through cotton, polyester, Viscose, Rayon, and blend yarns. Smaller gains occurred in the grey fabric markets. In the overall rally off the 2020 lows, the gains have been led by cotton and Viscose fiber. Viscose fiber spot prices have

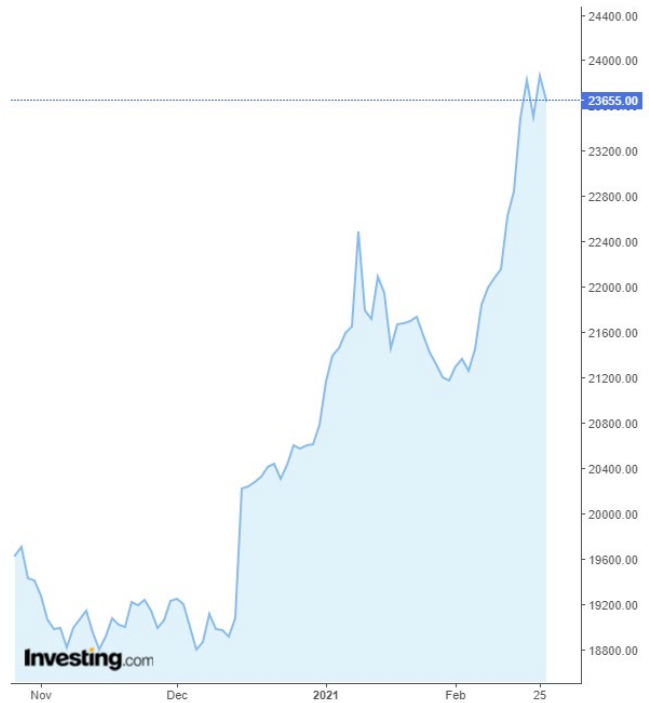
reached 15,500 RMB a ton or 108.44 cents a lb. This reflects a 12.3% gain from February 10th and a 36% gain off the end of October levels. The raw materials for polyester have also surged since February 10th, with MEG, a key raw material, in a major bull market since bottoming in October. It has gained 64% in that period, reaching over 6,000 RMB a ton last week before retreating. The US is the cheapest producer of MEG in the world from natural gas, and the shutdown of production during the winter storm was felt quickly. PTA prices also rallied, gaining 12.65% since February 10th. Polyester fiber producers have been running at a high rate during the holidays, with demand strong. PTA, which is the key raw material for PSF, ended the week with additional gains, as demand remained robust, and several major plants were closed for maintenance.

Strong gains were noted in polyester products, POY, PET resin, PET bottle chips, and others. Large gains were noted in polyethylene and polypropylene. Spandex prices dramatically increased, with some companies forced to suspend operations due to lack of supply. Prices gained 11% since February 10th. The gains also moved through the poly yarn market, which saw gains of just less than 10%, while Rayon yarns gained about 8.5%. Even the fabric mills raised prices, with cotton grey fabrics up 3.1% and Rayon fabric up 5.7%.

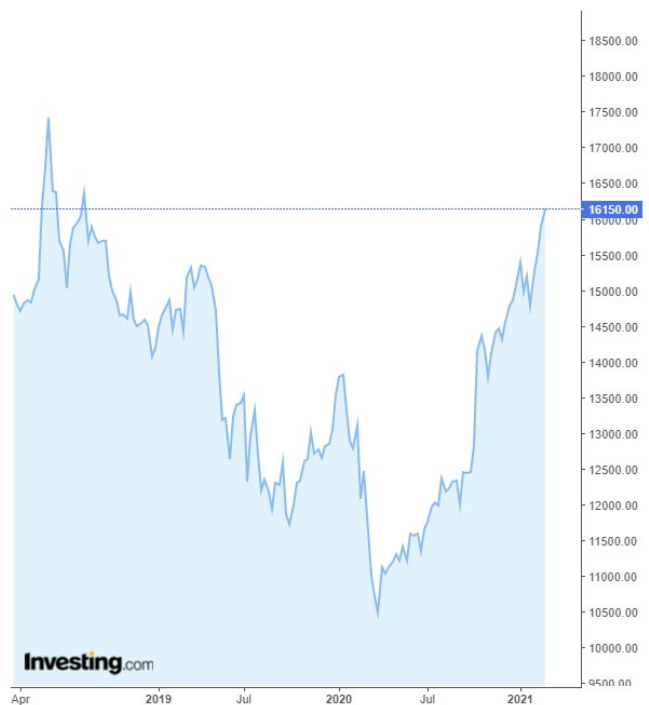
The Chinese cotton complex was higher during the first half of last week led by cotton yarns. As of February 24th, the Chinese cotton index had gained 4.93% since October 10th to stand at 114.98 cents a lb. The May ZCE contract gained 3.9% in the same period. Cash cotton yarn prices in the 32s and 40s gained from 5.98% to 6.5%. The strength in the yarns vs. cotton was unusual. However, it appears that conditions in the yarn sector were a bit different from other times. Cotton spinners held some of the lowest levels of unsold inventory on record coming out of the holiday. Thus, they had no pressure to sell and adjusted prices higher as the cotton and man-made fiber markets rallied. It was also a time of limited trade, as companies just returned to work. The increase was not driven by any increase in new orders. Most spinners appear to have experienced good cash flows and are in a stronger position. It was also easier to have the weaving and apparel companies absorb the increases, as fabric prices also were adjusted higher. The strongest gains were noted in the higher count yarns. Chinese cotton prices moved to new contract highs on February 25th following solid gains on ICE and also across the petrochemical complex of futures. The Chinese cash index gained another 126 RMB a ton or about .88 cents to stand at 16,558 RMB or 115.84 cents. The ZCE May cotton contract closed 388 RMB a ton higher at 16,688

RMB or 116.73 cents a lb. after making a high of 17,080 RMB a ton or 120.00 cents. Volume in the futures was very high at 818,055 contracts, the highest in many months. The ZCE yarn futures followed with gains as well.

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ZCE Cotton Yarn, China, ZCE:CCYc1, D



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ZCE Cotton No.1, China, ZCE:CCF1, W

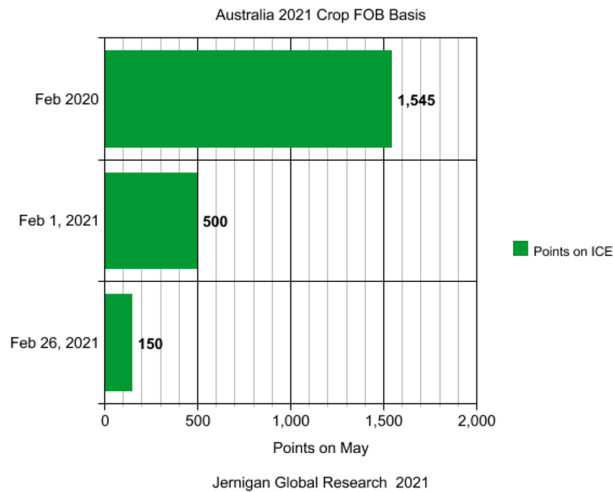


China ZCE Nearby Futures Weekly

Prices than fell sharply in futures on Friday following the collapse in ICE. The May ZCE cotton contract closed 275 RMB lower at 16,450 RMB a ton or 114.50 cents a lb., a 150 RMB or 1.05 US cents a lb. gain for the week. The Cash Cotton Index ended the week at

115.84 cents. The ZCE cotton yarn futures also retreated on Friday, posting losses of 220 RMB a ton. The May ZCE cotton Futures reached major resistance on Thursday as the May contract hit 17,080 RMB a ton, a level of major resistance.

AUSTRALIA REPORTS SCATTERED SHOWERS AS FOB BASIS COMES UNDER PRESSURE



As May ICE futures rallied over 400 points into the Thursday early highs of 95.60 in May, the average cash price bid for one of the highest quality upland cottons remained almost unchanged as the FOB basis fell sharply. Merchants are very long the Australian 2021 crop basis and likely holding 1.5 million bales or so and experiencing very light demand because of the price premium. Thus, the aggressive rally in ICE early last week was a disconnect, with most non-US growers not benefiting grower prices. In addition, strength in the Australian dollar against the USD also added to the problems. The Aussie neared .80 US cents Thursday before reversing. The average cash bid for the 2021 crop stood at 597-602 Australian dollars per bale, depending on location and for delivery by June. The FOB basis began the month near 500 points On May and by Thursday's opening had fallen to only 155 points On May. These conditions are in contrast to Feb 2020 before the default of a large Chinese trading group. At the same time, a year ago the FOB basis stood at 1545 points On May with a cash price of 630 AD a bale, and the May futures was over 26 cents cheaper. The basis did not improve on Friday. After the sharp break in ICE futures, it ended the week at 125-

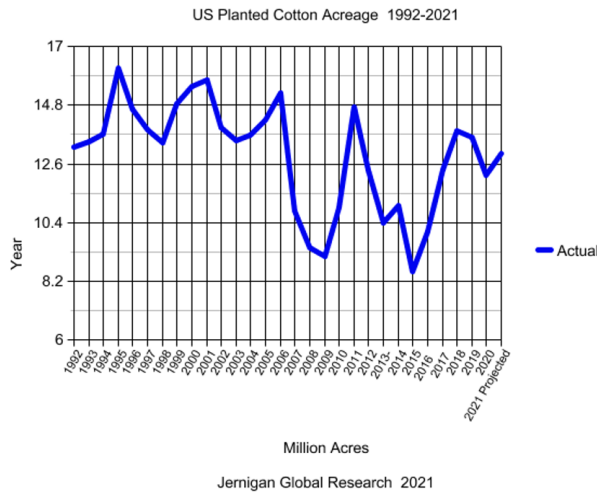
175 points On May with a cash price of 573-578 AD a bale, which is a sharp correction from the highs.

The price is reflective of a Middling 1 5/32 or better grade and is one of the most volatile basis movements in years. The largest drivers were, first, the collapse of the largest Chinese buyer, and then the banning of imports of Australian cotton directly by mill groups. The state-owned trading houses have continued to have small to moderate buying positions.

The CFR Asia export basis was slightly weaker before Thursday's dramatic collapse in ICE futures. Before the collapse in ICE, the basis for a Middling 1 5/32 had fallen to 1300 points On May. Australian 2021 crop offers are now very competitive, with the US on quality considerations and in many cases cheaper than the limited quality of US still available. A US GC 31-3-37 is offered at 1350 or higher On May for May shipment. This marks a dramatic difference in basis between the two for the past five years. Australian has sold into other markets, but with China blocked other than through the state trading houses, Pakistan focusing on lower grade, Bangladesh on the African Franc Zone discounted lots, it is drawing a low profile in the largest consuming markets. ELS spinners still have not moved to replace PIMA and Egyptian in the 60s counts despite the 60 cents discount. The only issue is some concern over finding the highest strength lots.

Harvest has started, and the crop is moving toward the period where a dry warm finish would be welcome, with growers seeking to move the crop to ginning ahead of the invert. Scattered light rains moved into Queensland and northern New South Wales. A few areas of NSW received 8-20 mm, while in Queensland more widespread 10-60 mm fell, with the Darling Downs reporting the heaviest amounts. The crop is moving toward a 2.6 million bales or larger finish, assuming a dry, warm harvest.

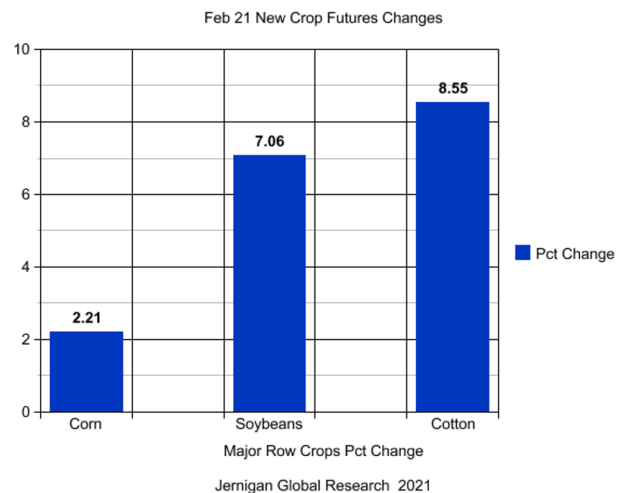
US COTTON ACREAGE COULD EXCEED 13 MILLION ACRES



million acres to 12.5-13.2 million acres. Planted acreage of this level would suggest much higher US production. A 13-million planted acreage with 10% abandonment would yield 11.7 million harvested acres. The US harvested 12.1 million acres in 2019/2020. An average yield of 850 pounds per acre would result in a 20.7 million-bale crop. West Texas remains the swing. It can increase abandonment to 20% or more. In 2018/2019, the US experienced a crop abandonment of 29.1% of planted acreage. In 2019/2020, it stood at 15.5%, and last year it reached 28%, all driven by West Texas.

The US can manage exports in 2021/2022 of 15.5-16.0 million bales easily, which means only after a crop reaches 18-19 million bales, after adjusting for domestic needs, does the crop become burdensome. Given the expected increases in demand, exports of 16 million will likely be achievable.

What crop posted the strongest gains for the month of February in the competition for US acreage? Despite the sharp losses of Thursday and Friday, cotton ended the month as the winner. Dec ICE posted 8.55% gains for the month, as Dec closed at 84.33 cents a lb. This not only made it the strongest US crop among the top 3 but also set the stage for one of the highest crop revenue insurance prices on record. November soybean futures posted a gain of 7.06% for the month of February, while corn posted only a 2.2% gain. Sorghum, which trades on a basis against corn, closed the month with a positive basis of near 50 cents a bushel, premium to corn, all due to Chinese demand, which has kept it competitive against cotton in a few areas.



These gains suggest US planted cotton acreage in 2021 will climb from the USDA Outlook Board forecast of 12

BRAZIL'S COTTON CROP PLANTED - FORWARD SALES INCREASE

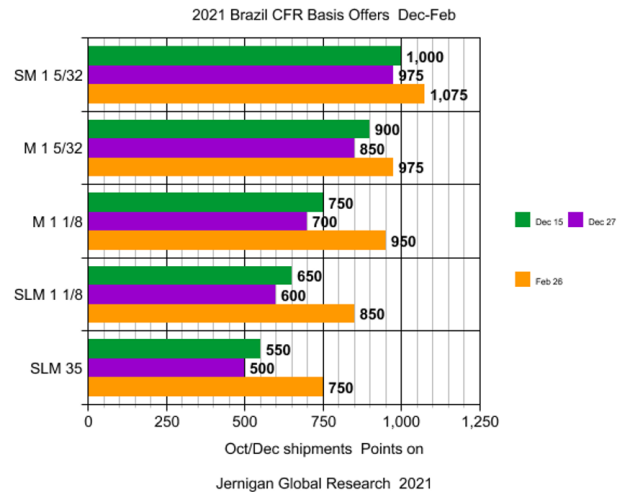
The 2020/2021 Brazilian cotton crop is planted, while the corn crop remains behind and is only nearing the halfway mark, which means both are late and March and April weather will be crucial. The soybean harvest remains delayed, but harvest is advancing, and export shipments of soybeans accelerated last week. February cotton export shipments are expected to be near 250,000 tons. The extended weather models have forecast above normal rainfall in Mato Grosso through the first half of March. The IMEA placed yields at 1,748 kilograms per hectare or 8 bales, which does not suggest any real concern over the wet weather.

It has also raised production cost for 2020/2021 to approximately 57.45 US cents a lb. This indicates strong profits from any cotton sold at current levels. Sales registered on the BBM marginally increased last week. Between February 19th and February 25th, 24,922 tons or 114,504 bales were sold between the 2019/2020 and 2021/2022 crops. Sales of the 2020/2021 crop did pick up at 11,086 tons, but it shows caution that larger sales were not made given the early strength in the market.

The CFR Asia export basis remains slightly weak because of ICE levels and the invert. Middling 1 1/8

offers for May shipment are at 800-900 points On May, and better grades are quite competitive at 975 points on May for a Middling 1 5/32. Chinese buyers continue to show interest. Increased shipments of Brazilian stocks have been noted over the last 30 days in China's bonded port warehouses. New crop basis levels also have become slightly more competitive. Middling 1 1/8 appears mostly in a range of 950 to 1075 Points on Dec for October-December shipment. Early shipment offers for July-August are being attempted at 700 On July, but most spinners are resisting given the invert. Merchants are offering SM 37 new crop at near 1100-1200 points On Dec. For the January-March 2022 shipment period, Brazilian at 900-1000 points On for a Middling 1 1/8 compares to an Ivory Coast Middling 1 1/8 at 750-800 points On March. Interest is building in October-December 2022 offers given the steep discount of the Dec 2022 futures. 2021/2022 cotton acreage in Brazil is expected to expand, and a record crop of 13 million bales or more will be possible. We expect opening CFR basis levels of 900 points On Dec 2022 for October and December 2022, with pressure building from this level.

The ESALQ Index of a 41-4-35 landed Sao Paulo has proven quite strong despite the lack of mill offtake, which brings into question if there really is a bid at recent levels. The index opened the week at 89.74 cents, climbed to 92.41 cents on February 24th, and



ended the week at 90.66. The Real fell sharply against the USD at the end of the week to 5.60.

The Argentine crop would welcome rain, but cotton appears to be developing well, managing the drier conditions better than corn and soybeans. Merchant's CFR Asia export offering basis were weaker last week. Argentine is popular in Pakistan, and aggressive basis cuts generated offtake last week. Middling 35 and SLM 35 moved at basis levels below offering points. A Middling 35 was offered at 450-500 points On May.

CERTIFIED FARMER
GIVE-BACK

FIELD to CLOSET
A RESPONSIBLE CHOICE FOR BRANDS, RETAILERS & MANUFACTURERS
Making farmers lives better with a more equitable supply chain

WHY COTTON?
Comes from Nature, Returns to Nature

MEXICAN OLD CROP STOCKS OFFERED AT ATTRACTIVE BASIS LEVELS

A large block of 2019/2020 crop Mexican high-grade stocks were unsold when the pandemic collapsed trade, and these stocks are being offered at very attractive basis levels. Offering basis levels have come under additional pressure as ICE has advanced. The quality of the stocks appears very high and highlights the great potential of the Mexican industry before the government banned GMO seed. Both production and quality have fallen since. A number of Strict Middling

offers are in circulation with staple length of 34 all the way up to 40. The SM 38 is offered at 900 points, which is heavily discounted to a US, if you can find an offer. SM 36 is offered at 775 points On May, also heavily discounted. Middling offers in 34-38 staple length are also offered at about 50-point discount, which likely reflects the last catalog of such quality Mexican styles after the government changed its seed policy.

ICE FUTURES MOVE SHARPLY HIGHER BEFORE COLLAPSING AS CFR BASIS LEVELS WEAKEN



May 2021 ICE Futures



Dec 2021 ICE Futures

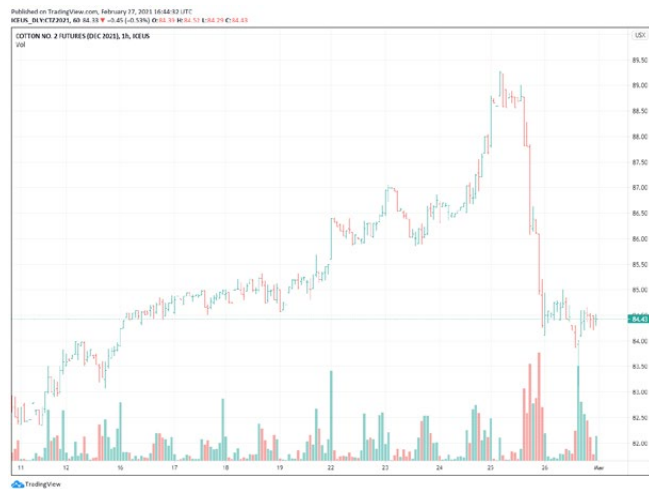
Last week, ICE futures lived up to all the ideas of increased volatility and bizarre price action. Monday through Wednesday price action was a steady wave of buying, which pushed prices to new contract highs daily. The week began with the entire commodity complex experiencing a major wave of buying, with most prices sharply higher Monday and Tuesday. The CRB commodity index made new 52-week highs and was back near the 2018 highs. Talk of a commodity super cycle filled the financial press. Tuesday brought a massive wave of new speculative Funds buying in many markets. The CME grain complex posted big gains, with more than 22,000 contracts estimated purchased by the Funds in corn, soybeans, and soybean product futures. Additional gains followed in all these markets on Wednesday the 24th. By this time, May cotton had posted its fifth consecutive new contract high and Dec an unbelievable 14 consecutive

new highs. Such buying streaks are very unusual to say the least and appeared to illustrate the froth which was building. In the equity markets, Game Stock returned to the spotlight, attracting a new wave of heavy volume buying. On the 25th, cotton followed the same pattern as it opened sharply higher with gains of over 100 points in most months, with May posting a new contract high of 95.60.

During the period of euphoria in ICE futures, the CFR basis for all but US growths was coming under additional pressure, which we stated was beginning to occur the previous week. It appeared the basis was on the verge of a collapse if ICE gains had been further extended. The collapse had already occurred in the Indian basis when it reached a record low of near 1300 points Off May, ex-gin yard, as prices peaked. This basis weakness resulted in a very large volume of CCI

and Maharashtra Federation stocks moving into Trade hands. This in itself created Trade selling on ICE as 1.1-1.2 million bales sold, which was in addition to the regular crop movement underway into Trade hands. The African Franc Zone basis showed further weakness. Brazilian basis also showed some weakness, and increased offers of Mexican old crop and Argentine old and new crop were also noted.

Simultaneously, ICE futures, as well as the entire equity and commodity complex, reacted to the turmoil in the bond markets as yields moved sharply higher. The benchmark 10-year US Treasury Bond reached 1.6%, which sparked massive selling in equities. The NASDAQ fell 3.5%, and losses occurred across the commodity complex. The chaos spread to the currency markets, which also reversed course, with the US dollar moving back higher. Some emerging market currencies lost 2% against the USD, and the US commodity markets followed. For cotton, the reversal began after the release of another robust US export sales report. From this point, prices virtually collapsed, with May and July moving steadily lower under a wave of selling until both reached 400 point or limit losses. Volume was heavy, with the selling extending all the way through the futures curve. The July/Dec spread saw the invert peak at 700 points in early trade before closing at 559 points.



May 2021 ICE Hourly Chart

The wave of selling continued into Friday morning, with the USD surging. Even the RMB came under pressure along with a selloff in the major speculative commodities. Copper, the darling of the commodity super cycle buying, fell more than 2%. Cotton experienced further selling, which quickly found support from active On Call mill price fixations and

new export sales. At one point, May and July had lost over 200 points, bringing the correction in ICE to more than 800 points from Thursday's highs. Export trade last week occurred in pockets. During the first half of the week trade was dominated by Indian styles, which sold in volume into China, Bangladesh, and other markets. Additionally, mills with nearby needs continued to seek any discounted lots, with African Franc Zone, Argentine, Brazilian, and even US low grades selling, with Bangladesh active. Then, at the end of the week after the deep, swift correction to ICE, more broad-based inquiry began, but everyone was cautious after such a volatile period. The exception to the chaotic market were the conditions in the ELS market. Prices of US Pima, Israel Pima, and Egyptian all moved higher. Stocks are growing extremely tight, with questions occurring as to whether Egypt will even have any carryover. Thus, there was no weakness in ELS prices despite what happened in upland.

The weekly Cotton On Call report revealed that a hefty level of unfixed On Call purchases remained to be fixed coming into last week at 32,523 contracts or 3.252 million bales in May and 36, 217 contracts in July or 3.62 million bales. It is likely these were greatly reduced during the price collapse of Thursday and Friday. The key feature of the weekly On Call report was a very large increase of 8,099 contracts or 809,900 bales in unfixed On Call purchases of 2021/2022 crop on Dec 2021 through July 2022 futures. This probably included a large block of non-US cotton. The Weekly COT report showed limited significant changes as futures reached new contract highs. The Trade was a small net seller of 459 contracts, increasing both its shorts and longs. The largest net seller was Swap Dealers, which sold a net 4,934 contracts. The Speculators were the buyers, with the Managed Funds a net buyer of 3,886 contracts with their net long position increasing to 72,454 contracts. The Other Reportable Funds were net buyers of 1,180 contracts, while Index Funds were net sellers of 325 contracts.

Thursday's price action on ICE created an outside range reversal in both the lead contract of May and in the Dec 2021 contract. Such profound reversals very often hold key technical significance and have often defined turning points or at least major resistance and support points. It should be noted that, as May made its contract high, CFR basis weakness was occurring in every non-US style, with any further strength causing considerable disruption to Trade positions. Prior to the event, we had discussed our feeling ICE appeared heavy and had a problem with the invert. The invert reached 700 points before the correction. At the highs, many of the CFR landed mill prices had exceeded

100 cents, a level which in past seasons has been unsustainable for any length of time. One positive in the current rally was last week's surge in man-made fiber prices lead by polyester staple fiber. However, it still enjoys a 45-cent price advantage in most regions. Another memory triggered was that in June 2018 the nearby contract posted a high of 96.50 and then began to steadily decline, with that peak challenged last week for the first time.

There is no doubt inflation is increasing, and this raises the fear that a new wave of allocations to commodities could come at any time. On March 15th, the CFTC and ICE will raise the speculative position limits for cotton with the overall limit increasing to 11,900 contracts in all months, which is a shocking increase from the current 5,000 contracts. This represents an even larger percentage increase than will occur in soybeans, which will increase from 15,000 to 27,300 contracts. The March 15th increase across the cotton and grain markets is a significant boost in the Fund's or any group of Fund's ability to influence prices. The new position limit marks another defeat for the Trade's interest. What it means in reality is that shortly the speculative longs or Index Fund longs could increase by 100% or more if the allocation of funds is made.

For now, we expect Trade support to be evident in

the 85-88 cents region, as it began to do Friday in May. The invert remains an issue. The 2021/2022 crop will soon become the major center of attention. World cotton consumption is expanding, and we expect that expansion to grow in the season ahead. This means a larger US and Brazilian crop can be absorbed. Support should be strong on any setback into the 79-82 cent range. We have long discussed that the discount is unjustified and should be used by spinners to buy into the discount on corrections. Two major influences loom for the 2021/2022 price outlook. The first is the need for major rains across the West Texas region to end the major drought still underway. Without its US crop, potential will be limited. The second is the US/China Trade Agreement year two. While China made robust cotton purchases as well as agriculture purchases in year one, other purchases were not fulfilled. Will China move to complete year two of the agreement to improve relations with the new Biden Administration? As we discussed many months ago, a fulfillment of the 2021 agreement would alter the US cotton export outlook and have major ramifications. Thus, these events both need to be at the forefront of attention. Either event will likely change the price structure in a major way. For spinners, the 2022/2023 ICE futures strip is providing major opportunities for forward cover in US, Brazilian, Australian, and African Franc Zone styles at fixed prices.

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