ROSE ON COTTON – COTTON MARKET AGAIN FINISHES WEEK WITH STRONG GAINS

Sep 05, 2023

LOUIS W. ROSE IV AND BARRY B. BEAN

The market gained 264 points last week, finishing at 89.95, with the Dec – Mar inversion expanding modestly to 18. Last week, our models predicted a finish on the week that was to be near-unchanged to higher Vs the previous week's finish, which proved to be correct. Dec has commenced the abbreviated week significantly lower.

The cotton market again finished the week higher on a worsening US crop and serious production concerns across India and China, which has brought specs into the market on the long side. The market's fervor is clearly tied to the supply side of the S&D equation, given poor to lukewarm macroeconomic numbers and concerns.

Hurricane Idalia reportedly did some damage to the Georgia crop, but most damage is reported at a rather minimal level. The tropics currently exhibit no threats to The Belt, but the hurricane forecast suggests that will not be the case throughout the season. Elsewhere across US cotton growing regions weather remains suitable for boll opening. The West Texas crop continues to get smaller.

For the week ending Aug 24 the US sold (net) approximately 66K RBs against the current MY and shipped around 217K RBs. These data are not supportive, despite the current focus on supply concerns.

The latest USDA attaché report out of China estimates production for this season at the equivalent of 27M 480lb bales, which is bullish. Monsoon production across India continues to fall behind expectations, which will likely lead to reductions in production estimates and projections over the near- to medium-term.

For the week ending Aug 29, the trade increased its aggregate net short position to almost 9M bales while large specs notably increased their aggregate net long to around 3.86M bales.

The standard weekly technical analysis for and money flow into the Dec contract remains bullish, with the market now overbought. The market will likely see support this week from a deteriorating West Texas crop and forerunning of the Sept WASDE report.

We continue to encourage producers to price 40-50% of estimated production at or above the 90-cent level. The market did touch that level Friday, but very few contracts were traded there, leaving many producers with 90 cent orders frustrated. As we write this Monday evening, the market is taking profits and trading off 200+ pts, but we are confident that ordinary volatility combined with production concerns and active gulf weather patters will give another shot at the 90-93 range in the near to mid-term.

Have a great week!

Report Courtesy: Rose Commodity Group

With well over 60 years combined experience in the commodity trade, the partners of the Rose Commodity Group offer a wealth of knowledge and perspective to their clients. With expertise and direct experience in agronomy, crop production, futures and options, spot trading, hedging, shipping, and insurance, the Rose Commodity Group approaches marketing and risk management from a comprehensive perspective. Rose Commodity Group is not directly affiliated with any other commodity firm; we are not commission futures brokers. Our strategies and advice are based entirely on our client's specific needs and goals.

To learn more about Rose Commodity Group please visit: https://www.rosecommoditygroup.com/about/