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## **ROSE ON COTTON – COTTON MARKET TRADING WATER AFTER STRONG WEEKLY GAIN**

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The market (Mar) gained 4411 points on the week, finishing at 86.70, with the Mar – May spread tight at (36). The market is trading water, thus far, this week. For 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. However, overall, we recommended a short bias.

The cotton market finished the week notably higher, most likely on much improved US export data and weakening US currency.

Domestically, most of West Texas remains under a severe drought; if this is to be broken, such would most likely begin to occur over the next couple of months. If it is again a dry winter and spring across the region then we could see a repeat of last year's disaster. At the recent Beltwide Cotton Conference average analysts estimates of 2023 domestic area were off around 2M acres Vs 2022 and Vs a 1M acre lower projection per the Cotton Grower magazine survey.

For the week ending Jan 19, the USDA classed approximately 1.1M running bales (RBs), of which approximately 81% of upland bales are deliverable against ICE contracts. The cumulative total for the season is now almost 13.56M RBs (95% of expected US production) with nearly 83% of upland stocks tenderable. Quality remains far better than we had expected.

For the week ending Jan 13 the US sold almost 212K RBs against the current MY and shipped nearly 190K bales. While these figures are an improvement over the last several weeks, they are not stellar - not at all. Cancellations were significant at around 24K RBs and were mostly attributable to Turkey.

Internationally, a large textile corporation in China has paid US \$120M to buy prime cotton land in Australia, which means that China will again be taking in some cotton from Down Under. This is not positive for our market. We continue to hear reports out of India that suggest duties on imported cotton are likely to be suspended amid this season's shorter than expected crop. This is, of course, positive news for US futures. Elsewhere, it is reported that millions of textile workers in Pakistan have lost their jobs due to a lack of domestic raw cotton, per this year's flooding disaster and a lack of textile orders from European markets.

For the week ending Jan 3, the trade reduced its aggregate net short position to approximately 3.7M bales while large specs flipped their aggregate net long to a net short of around 355K bales.

The market will continue to look at/prepare for upcoming acreage projections, West Texas weather, US currency and economic reports. Scheduled index fund rolling commences the last two business days of this month.

# *Have a great week!*

## **Report Courtesy: Rose Commodity Group**

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