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ROSE ON COTTON – ICE COTTON PUSHES HIGHER, CONTINUES TO DEFEND 60.00 LEVEL

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The ICE Dec contract gained 77 points last week to settle at 61.67. Dec did not trade south of the 60.00 level last week, which is technically supportive. The Dec – Mar spread remains at less than full carry, and near unchanged Vs last week at (73).

Last weekend, our proprietary model (timely prediction available in our complete weekly report) predicted a settlement that was to be near unchanged to lower Vs the previous Friday's finish, which proved to be incorrect.

ICE cotton found support on modestly improved export sales data, continued untimely rains across West Texas and weakening US currency. Position evening ahead of this week's WASDE report likely added additional support.

The thrust of the US harvest season has arrived. Texas and Kansas have had to deal with unwanted rainfall while autumn has finally arrived across the Mid-south and Southeast. Fall's arrival is expected to be accompanied by unwanted rains early this week, particularly across the northern Delta, where harvest has just recently gotten underway. Thus far, the

overall quality of this season's crop is excellent. We are hearing reports suggesting 5-year average yields, but as our more objective friends remind us, the plural of anecdote is not data. We'll look forward to better numbers next week.

US export sales against 2019/20 were higher for the week ending Sept 26 Vs the previous sales period while shipments were lower at around 182K and 167K running bales (RBs), respectively. Sales were again ahead of the average weekly pace required to meet the USDA's 16.5M bale export projection while shipments were 52% of the pace requirement. Sales cancellations were near non-existent.

On the international front, dry conditions persist across Australia and South America, with private projections of 2019/20 production for the former ranging as low as just above 600K 480lb bales. India is reporting slow yarn sales and increasing inventories as a result of China's duty-free arrangements with Pakistan, Vietnam and others. US - China trade talks are set to reconvene on Oct 10 in Washington.

For the week ending Oct 1, the trade increased its aggregate futures only net short position to approximately 973K bales while large speculators trimmed their aggregate net short position to around 3.05M bales. The spec short position, while recently appearing more manageable Vs Early Sept, still provides potential for market spikes.

For a complete analysis of COT data see our weekly commitments of trader's analysis and commentary.

The USDA will release its monthly WASDE report on Thursday, Oct 10 at noon, ET. Some pundits are expecting a higher estimate of US production, but we are not sold on that notion. Overall, we expect few (if any) major changes Vs Sept.

For this week, the standard weekly technical analysis for and money flow into the Dec contract remain bearish. The market will continue to closely monitor US and international weather

conditions, US harvest progress and yield reports and export data. However, it will likely be the Oct WASDE report and US – China trade negotiations that garner the majority of the market’s attention this week.

Our advice to producers remains consistent for the upcoming week. Sell recaps and/or buy put options on rallies to the 6300-level base Dec.

Have a great week!

Report Courtesy: Rose Commodity Group

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