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ROSE ON COTTON – ICE COTTON FINISHES HIGHER POST UNEXPECTEDLY SUPPORTIVE WASDE REPORT

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The ICE Dec contract posted a 49-point win on WASDE week, finishing at 64.72. The Dec – Mar spread weakened to 185, which is essentially full carry.

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 was incorrect; however, we did not recommend trading this bias due to the late-week release of the Nov WASDE report.

ICE cotton found support on the week from mostly positive news regarding US – China trade talks, improving export sales and a much more supportive than expected Nov WASDE report. Index fund rolling from Dec to Mar and significantly strengthening US currency applied drag to the market.

In its Nov WASDE report the USDA slashed domestic and world aggregate ending stocks approximately 900K and 2.8M bales, respectively, mostly on lower production estimates. Ending stocks are now forecast at 6.1M and 80.8M bales.

Domestically, USDA reduced its production estimate to 20.83M bales, which is about 60K below figures we published Friday morning, ahead of the WASDE report's release.

Note that despite larger than expected debits to world and domestic carryout, ending stocks of 6.1M and nearly 81M bales are far from bullish.

US harvest progress made decent progress per the USDA's subjective weekly assessments for the week ending Nov 3. Rains continued to hinder progress across many areas, and yet more rain and showers are expected over the coming week across the eastern half of The Belt. Nonetheless, pickers will run when cotton on the stalk is dry and soils are firm enough to support equipment – nobody wants to wait for sunshine to bleach fiber in the field in Nov. Pictures of pickers modified with tracks replacing wheels were popular on social media this week, reflecting many growers' eagerness to pick cotton under less than ideal conditions.

US net export sales against 2019/20 were significantly higher for the week ending Oct 31 Vs the previous sales period while shipments were lower at around 195K and 132K running bales (RBs), respectively. The US is 61% committed and 16% shipped Vs the USDA projection. Sales were ahead of the average weekly pace required to meet the USDA's 16.5M bale export projection while shipments were only around 39% of the pace requirement. Sales cancellations were again large at 80K RBs, almost all of which were again attributable to Indonesia.

On the international front, it now looks as if a signing of the US – China phase one agreement will not happen earlier than December. While the US is reportedly standing firm on intellectual property rights., rumors are that the US and China have each agreed to roll back some tariffs in conjunction with signing of the phase one deal and ahead of further long-term negotiations. The White House says it expects a fully completed deal, although the timeline remains uncertain.

For the week ending Nov 5, the trade trimmed its aggregate futures only net short position against all active contracts to around 2.1M bales while large speculators increased their aggregate net short position to almost 1.9M bales. The spec short position again (likely) provides potential for upward market movement.

Based on this week's reports and concern over classing for the remainder of the season, we are adjusting our producer price targets upwards slightly. With spot traders starting to move to the March contract, we see fundamental support at 65.00, and the possibility of a test of the 70.00 level if export sales and news from the trade negotiations remain positive.

Producers should pay close attention to their own classing and national classing trends in the next few weeks. If the rains in the Mid-South and Southeast increase the appearance of light spot and LM, we could see a basis improvement on higher grades.

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

For this week, the standard weekly technical analysis for the Mar contract remains supportive to bullish. Money flow is turning supportive. The market will continue to closely monitor weather conditions, harvest progress and yield reports, export data and. (of course) US – China trade headlines. Scheduled index fund rolling will culminate this week.

Have a great week!

Report Courtesy: Rose Commodity Group

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