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ROSE ON COTTON – ICE COTTON FINISHES SLIGHTLY HIGHER ON IMPROVED EXPORT DATA, TRADE DEAL WITH CHINA STILL UNCERTAIN

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The ICE Mar contract posted a 12-point win on the week, finishing at 66.69. The Dec – Mar spread was near unchanged at (183), 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 higher Vs the previous Friday's finish, which was correct, but we'll call it a push.

ICE cotton found support on the week via notably improved export sales on the back of last week's supportive WASDE report release. It appears the Nov WASDE report incited spec short covering. Surging equities likely provided further support while the good news / bad news cycle on a trade deal with China kept a cap on rallies in the Mar contract.

Trying to keep up with news and rumors regarding US – China trade talks is exhausting (to say the least), as each announcement seems to offset the one previous. China is

reportedly refusing to commit to a specific amount of US agricultural purchases in the absence of US tariff rollbacks, which the US is staunchly refusing to do. Further, issues reportedly remain regarding measures to verify Chinese recognition of US intellectual property. Still, on Friday the White House asserted that a deal is close at hand.

Really?

US harvest progress made decent progress per the USDA's subjective weekly assessments for the week ending Nov 10, with the US most recently estimated at 62% complete. Harvest operations are again under way at near full speed across the Mid-south, W TX, OK and KS while producing areas near the Atlantic coast have seen delays due to rain. Harvest weather is expected to be mostly favorable across The Belt over the near-term, with the exception of areas along the Atlantic coast.

US export sales defied many expectations this week. US net export sales against 2019/20 were higher for the week ending Nov 7 Vs the previous sales period while shipments were lower at around 357K (a MY high) and 129K running bales (RBs), respectively. The US is 63% committed and 17% shipped Vs the USDA projection. Sales were well ahead of the average weekly pace required to meet the USDA's 16.5M bale export projection while shipments were only around 37% of the pace requirement. Cancellations were negligible.

On the international front, Brazil is expected to see significant rainfall over many cotton producing areas over the coming week while Argentina and Paraguay are expected to remain mostly dry. India and Australia are also expected to see most dry conditions over the near-term, with some forecasters predicting that the drought plaguing Australia likely will not be relieved over the near- to medium-term.

Pakistan recently announced intentions to purchase cotton from India, adding to other recent commitments to purchase cotton from the US, Brazil and West Africa. Given the current tension between India and Pakistan, we see this as an indication of just how poor the Pakistani crop is.

For the week ending Nov 12, the trade increased its aggregate futures only net short position against all active contracts to around 2.4M bales while large speculators reduced their aggregate net short position to approximately 1.53M bales. The spec short position likely provides potential for upward market movement.

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

Producers should continue to take advantage of moves to or through the 66-cent level (base Dec) to price cotton, and should also keep an eye toward the calendar as we approach FND on the Dec contract and the Thanksgiving holiday. Both events have the potential to add volatility, and shortened holiday schedules can make it more difficult to react to sudden market moves. As always, stay in close contact with your local buyer and have a marketing plan in place before the market moves.

For next week, the standard weekly technical analysis for and money flow into the Mar contract remains supportive to bullish, although the market also remains somewhat overbought. The market will continue to closely monitor weather conditions, harvest progress and yield reports, export data and. (of course) US – China trade headlines – although the latter will likely be discounted until an agreement is publicly signed.

Have a great week!

Report Courtesy: Rose Commodity Group

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