# ROSE ON COTTON – COTTON MARKET FINISHES HIGHER AHEAD OF CHRISTMAS BREAK

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The ICE Mar cotton contract gained 182 points on the holiday-shortened week, finishing at 109.12, with the Mar – May inversion strengthened significantly at 207. Recall that a market inversion relays that demand for cotton nearby is perceived to be greater than in the future. Last weekend our models predicted a finish on the week that was to be near unchanged to higher Vs the previous Friday's settlement, which proved to be correct.

The cotton market moved modestly higher on slower, but decent, US export sales, the Biden Administration's announcement that it anticipates no Omicron lockdown, and weakening of US currency.

Domestically, winter is here (the solstice was Tuesday) and, so far, the offseason has been a mild affair. Memphis has not been below around 25°F, so the northern Delta may have dipped into the low 20°s. Producers need some cold weather this winter (without snow cover) to reduce overwintering insect populations. At this time, sub-freezing temperatures are essentially absent from the 10-day forecast, with highs on Christmas day near Memphis, TN expected to test 80°F. We are now afraid we may have to begin cutting our lawns this winter.

US net export sales and shipments were slower for the week ending Dec 16 Vs the previous assay period at around 250K and 136K RBs, respectively. While sales were decent, they were mostly to the usual suspects (China, Turkey, Vietnam), which taints any optimism associated with the figures. US export shipments will need to average nearly 400K RBs per week in order to meet the USDA's 15.5M 480lb bale export projection, and that is a relatively tall order, especially given continued logistic concerns.

Commitments of Traders data for the week ending Dec 21 will not be available until Dec 27; ditto for classing data.

Internationally, private projections of soybean and corn production across Brazil are moving lower (significantly so), but there is currently little indication that this sentiment extends to the cotton crop, most of which is not yet sown and will not be until after the soybean harvest.

For next week, the standard weekly technical analysis for the Mar contract remains supportive while money flow remains bearish. The weekly release of US export data will be the most pertinent scheduled report ahead of the end of the year. Holiday trading can be tricky and is often volatile.

Our advice for producers remains consistent. While there are arguments to be made for a spring rally, the short to midterm outlook is for moderate to high volatility in the $1.00 – $1.15 range on old crop and in the 88-93 cent range on new crop. We see little to no downside to selling at profitable prices.

We wish you and yours a very Merry Christmas!

*Have a great week!*

**Report Courtesy: Rose Commodity Group**

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