Rose Commodity Group

ROSE ON COTTON – COTTON MARKET FINISHES A BIT LOWER AHEAD OF ACREAGE REPORT, US HOLIDAY

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The ICE Dec cotton contract gave back 31 points for the week ending June 26 to finish at 59.50 as the Dec – Mar switch strengthened modestly to (66), less than full carry. Last weekend, our proprietary model (timely results provided in our complete weekly report) predicted a finish that would be near unchanged to higher Vs the previous Friday's settlement, which proved to be incorrect, depending upon one's definition of "near unchanged".

The main feature of the cotton market was its featurelessness. Other than an expected lowering of the USDA's planted area projection on Tuesday, June 30 to less than 13.2M acres, hot and mostly dry conditions across West Texas, Kansas, and Oklahoma and a late Mid-south crop, there really was no reason for cotton to trade higher. US currency trading around 3% off its recent highs and growing concerns regarding a resurgence of the Wuhan pandemic, which are not unfounded, also likely kept cotton from moving higher on its technical picture. The latest release of US export data did little to encourage bulls.

For the week ending June 21, the USDA estimated planting of the 2020 cotton crop at 96% complete. The crop was rated in 40% good or better condition, off 3 percentage points Vs the previous week's report. Recent rains across Texas could result in an increase in tomorrow's condition ratings.

A drive through the southern portion of the Mid-south on Friday and Saturday clearly revealed one thing – the crop is 2+ weeks off its average development pace, with some as much as a month behind. It is of course impossible to see all cotton acreage on such a tour, and we hope that the crop is further along in other locales within the region.

For the coming week, the Mid-south and the southeastern states are expected to see 1 – 3 inches of rainfall while Texas, New Mexico, Oklahoma, and Kansas are expected to see extremely hot conditions with showers possible by mid-week.

China continues to be the only significant taker of US cotton. Net export sales against 2019/20 were up slightly Vs the previous sales period while shipments were significantly lower at approximately 107K and 323K RBs, respectively. The US is 120% committed and 87% shipped Vs the USDA's projection. Shipments were 102% of the pace required to realize the USDA's target. Nearly all net sales were again accounted for by China, which continues to suggest no significant nearby demand for textiles. Sales against 2020/21 were off at around 68K RBs. Sales cancellations were light.

Mostly dry conditions are expected across cotton producing regions of the southern hemisphere this week, which should aid in harvest progress. India is expected to continue to see monsoon rains and showers while little precipitation is expected across China's largest producing region of Xinjiang.

For the week ending June 23, the trade held its aggregate futures only net short position against all active contracts to nearly unchanged at just north of 5.8M bales while large speculators increased their net long to around 329K bales. We are quite certain that the lack of change in these figures for the most recent assay period is due to the annual acreage report's scheduled release on June 30.

For an in-depth analysis of CFCT data see our weekly CFTC analysis and commentary.

For this week, the standard weekly technical analysis for the Dec contract remains supportive while money flow remains less so. Weather reports, US export data, pandemic news and forecasts and, of course, the USDA's June 30 acreage report likely holds the greatest market moving potential for the coming week.

Have a great week!

Report Courtesy: Rose Commodity Group

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