Rose
Commodity Group

ROSE ON COTTON – COTTON MARKET TUMBLES ON NEWS OF OMICRON VARIANT

November 29, 2021

LOUIS W. ROSE IV AND BARRY B. BEAN

The ICE Mar cotton contract gave up 465 points on the holiday-shortened week, finishing at 111.78, with the Mar – May inversion strengthened at 185. 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 incorrect. Our models apparently did not anticipate widespread news of a new COVID variant and macroeconomic selloffs across the financial markets. However, we recommended either a no trading bias on the week or a maintenance of a cautious short position.

The cotton market moved lower despite strengthening US export data, on weakness in outside markets spurred on by reports of new COVID variants across South Africa, a maintenance of strengthening US currency, and a lack of spec participation due to the long holiday weekend. In last weekend's column, we noted the likelihood of high volatility in shortened trading weeks, and this week did not disappoint.

For the week ending Nov 21, the US harvest was estimated at 75% complete, up 10 percentage points on the week (for the fourth consecutive week) and Vs the rolling 5-year average of 71%. The US harvest is finally ahead of its historic schedule, with operations across most of the Mid-south (except Tennessee) nearly complete. Kansas has only harvested 47% of this season's crop while more than 25% of the Texas crop remains on the stalk. Ginning and classing remain well behind harvest.

The Belt is expected to see fine harvest conditions for the coming week.

Net export sales and shipments were higher Vs the previous assay period at approximately 214K and 103K RBs, respectively. The pace of shipments remains a tangible concern. Surprisingly, sales were spread across the board. Cancellations were again negligible. We will be watching shipments closely as ginning and classing proceed to see how much of the current delay is due to port and offshore operations, and how much is simply due to a late crop, compressed harvest season, and classing delays.

reports out of China indicate that the quality of this season's crop across Xinjiang is markedly improved Vs last season.

For next week, the standard weekly technical analysis for and money flow into the Mar contract remain bullish, with the market remaining somewhat overbought. The upcoming week will likely be framed by position adjustments ahead of the Dec WASDE report and news regarding COVID variants.

In the coming week, producers with old crop to sell should pay close attention to financial markets and reports of the newest COVID variant. It is worth remembering that actual numbers will prove less important than perceived numbers. If, as we suspect, the market tempers its reaction to news of the latest variant, we expect to see a recovery in cotton futures, and another opportunity to price cotton in the 115-

120 range. If we are wrong, producers should evaluate how much of their crop has already been priced and remember that prices above 90 cents are both historically high and profitable. Either way, this week will likely reward sellers with disciplined approaches to marketing, standing GTC orders, and an appreciation of revenue per acre.

Our advice for new crop pricing remains consistent. Selling 10-20% of estimated yield against a DEC 22 of 90 cents or better is a solid move, but we see no need to go beyond that percentage.

Have a great week!

Report Courtesy: Rose Commodity Group

With well over 60 years combined experience in the commodity trade, the partners of the Rose Commodity Group offer a wealth of knowledge and perspective to their clients. With expertise and direct experience in agronomy, crop production, futures and options, spot trading, hedging, shipping, and insurance, the Rose Commodity Group approaches marketing and risk management from a comprehensive perspective. Rose Commodity Group is not directly affiliated with any other commodity firm; we are not commission futures brokers. Our strategies and advice are based entirely on our client's specific needs and goals.

To learn more about Rose Commodity Group please visit: https://www.rosecommoditygroup.com/about/