Rose Commodity Group



# ROSE ON COTTON – FIFTH CONSECUTIVE WEEKLY ADVANCEMENT FOR ICE COTTON, CAN IT CONTINUE?

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The Mar contract gained 96 points for the week ending Dec 27, finishing at 68.92 as the Mar – May spread weakened modestly to (116). This was the Mar contract's fifth consecutive advancement, with a cumulative win total of 464 points. 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 proved to be incorrect. However, we did not recommend trading any bias over the holiday-shortened week.

ICE cotton found support, despite weakening US export data, on weakening US currency, optimism over an official signing of the Phase One US – China trade accord, the lowering of many private estimates of 2019/20 world production and strengthening technical factors.

The US crop is nearly harvested, with only isolated fields reported with cotton on the stalk across West Texas. Weather conditions are expected to be less than favorable this week for wrapping up any remaining harvest operations. Attentions will very soon turn to planting intentions for the 2019/20 crop.

US net export sales and shipments against 2019/20 were lower for the week ending Dec 19 Vs the previous sales period at around 154K and 211K running bales (RBs), respectively. The US is 72% committed and 24% shipped Vs the USDA's export projection. Sales were again ahead of the average weekly pace required to meet the USDA's 16.5M bale export projection while shipments were less than 60% of the pace requirement. Sales against 2020/21 were net negative by nearly 10K RBs. Sales cancellations were modest at approximately 23K RBs and were mostly attributable to China.

Internationally, Brazil is making a concerted effort to increase its marketing of Brazilian cotton for export into Asia. Elsewhere, China's raw cotton imports in Nov were higher Vs Oct at nearly 483K bales.

CFTC Commitments of Trader's data for the week ending Dec 24 will not be released until Monday, Dec 30.

For this week, the standard weekly technical analysis for and money flow into the Mar contract remain supportive to bullish, with the market also remaining in an overbought condition. We still maintain that the holiday season is a dangerous time to commit to a speculative directional position, with market conditions expect to return to normal beginning the week of Jan 6.

This caution extends to producers as well. With two holiday shortened weeks in a row, business has been brisk but spotty with major merchants, but should see a minor slowdown this coming week as regional offices and buyers divide their attentions between trading cotton and year end reports for corporate offices.

The market continues to test the 70-cent level, but it is noteworthy that the last two trading sessions on the Mar contract traded to the mid 69 cent range (6933 and 6934) only to close near their opening levels in the mid-upper 68 cent. In a market not stressed by a holiday schedule, we'd note the testing of resistance at the top of a range and say the market looked a little toppy. If we see similar trading Monday, we won't be surprised to see profit taking near the close and on New Years Eve. We don't expect any selloff to have long term consequences, and still believe the low-mid 70 cent level base Mar will be tested before any selloff outside normal daily ranges will occur.

*Have a Happy New Year!*

**Report Courtesy: Rose Commodity Group**

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