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ROSE ON COTTON – COTTON MARKET FINISHES FIRST WEEK OF DECEMBER LOWER DESPITE MULTIPLE SUPPORTIVE FACTORS

06-December-2020

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The ICE Mar cotton contract gave up 167 points for the week ending Dec 4, finishing at 71.57 as the Mar – May switch weakened slightly to (88). 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. Still, we did not recommend trading the model's bias for the week.

ICE cotton was lower on the week on apparent spec liquidation and weakening US export data, although it did attempt a rebound during Friday's session. Weakness in US currency and strength in equity markets seemingly did little to buoy the market.

Domestically, the USDA estimated the US crop 84% harvested on Nov 29; we expect the next report to show harvest at 90%, or more, complete.

Net export sales were off notably Vs the previous assay period while shipments were a bit higher at approximately 286K and

208K RBs, respectively. The US is 73% committed and 31% shipped Vs the USDA's 14.6M bale export projection. Sales were ahead of the average weekly pace required to realize the USDA's target while shipments were again well short of the pace requirement. Sales and shipments are ahead of the long-term average pace for this point in the season. Cancellations were negligible. China was, by far, the largest taker at around 135K RBs.

Internationally, the Trump administration has banned all cotton imports linked to the Xinjiang Production and Construction Corps in China due to the organization's reported use of slave labor. The latest move, while understandable and noble, will likely heighten tensions between the two nations and could hurt US cotton export business into China.

For the week ending Dec 1, the trade reduced its futures only net short position against all active contracts to approximately 14.1M bales while large speculators trimmed their aggregate net long to around 6.13M bales. The spec position has seemed vulnerable to some liquidation of late, and we expect more evidence of such in CFTC data releases over the near-term.

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 with money flow continuing to turn negative. Next week's trading action will likely be framed by vaccine and election news, export data, movements in equity markets and, of course, the USDA's Dec WASDE report release.

Have a week!

Report Courtesy: Rose Commodity Group

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