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## **ROSE ON COTTON – ICE COTTON FINISHES NEAR UNCHANGED ON WEEK AS COMPETING FACTORS SUPPORT/CAP MARKET**

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The ICE Mar contract held its own for the week, picking up 25 points to finish at 67.75. The Mar – May spread strengthened noticeably at (39), which is well below full carry. The Dec contract gained 13 points, settling at 68.86. Our proprietary model (timely prediction available in our complete weekly report) predicted a settlement that was to be near unchanged to higher Vs the previous Friday's finish, which proved to be correct.

The Wuhan virus epidemic, scheduled index fund rolling and strengthening US currency kept a cap on ICE cotton futures while strong US export sales data, notably quickening export shipments and mill fixation of on-call commitments provided support. News stories of Chinese industrial firms invoking force majeure clauses to cancel or postpone contracts are beginning to circulate. Expectations for next week's WASDE report also likely kept prices from rebounding strongly.

The National Cotton Council will release its annual Planting Intentions survey results on Saturday, Feb 15 while the UDA

will provide its initial S&D projections for the 2020 crop on Thursday, Feb 20 and Friday, Feb 21 at its annual Ag Outlook Forum. We expect acreage to be projected higher than do many other; we will publish our projections ahead of each of these reports.

The Senate impeachment trial of President Trump ended, with the expected results, on Wednesday, Feb 8, and we continue to think that this harbors potential for increased sales into China.

The USDA will release its Feb WASDE report next week and, while we do not expect huge changes to cotton S&D balance sheets Vs Jan to be evident, we think that the USDA's projection of US exports will be enhanced.

US net export sales against 2019/20 were off for the week ending Jan 30 Vs the previous sales period while shipments were a MY high at around 338K and 425K running bales (RBs), respectively. The US is 83% committed and 35% 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 target while shipments finally exceeded the pace requirement. Sales against 2020/21 were around 5K RBs. Sales cancellations were significant at approximately 28K RBs. China was not a net purchaser over the period.

Brazil is fast running low on available cotton to ship abroad; the African Franc Zone has cotton on hand, but quotes are pricey. Hence, demand should remain relatively strong for US cotton over the near- to medium-term.

Internationally, China reduced tariffs on more than 1.7K imported goods from the US, including soybeans. Elsewhere, the Cotton Association of India left its estimate of production unchanged Vs Jan at almost 27.7M 480lb bales.

For the week ending Feb 4, the trade increased its aggregate futures only net short position against all active contracts to around 8.6M bales while large speculators held their aggregate net long position very near unchanged at approximately 3.25M bales.

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

For this week, the standard weekly technical analysis for and money flow into the Mar contract remain supportive to bullish. Index fund rolling continues next week, with May likely to become the de facto lead month before next Friday's settlement. However, it is likely be the WASDE report that holds the greatest market-moving potential next week.

Our advice remains consistent on both old and new crop for producers. Given the number of potential market-moving reports scheduled in the next 2 weeks, a newly confident Trump administration, and the coronavirus, we expect volatility to be high in the near term, but we still see the likelihood of a recovery to the mid-70s. We would encourage both spot sales and 25% forward pricing via options or contracting at the 7500 level.

*Have a great week!*

**Report Courtesy: Rose Commodity Group**

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