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ROSE ON COTTON – COTTON MARKET MOVES LOWER TO TEST NEARBY SUPPORT AS HARVEST SEASON NEARS

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The ICE Dec cotton contract gave up 117 points on the week to finish at 92.33, with the Dec – Mar spread inversion effectively unchanged at 74. Last weekend our models predicted a finish on the week that was to be near unchanged to lower Vs the previous Friday's settlement, which proved to be correct.

The cotton market moved lower on weakness in equity markets, slowing US export sales data, and spec liquidation ahead of impending harvest pressure.

For the week ending Sept 12, the US crop was rated in 64% good, or better, condition, which is up 3 percentage points Vs the previous assay period. Only 6% of this season's crop remains rated in poor to very poor condition. The US harvest was estimated at 5% complete Vs the rolling 5-year average of 8%.

Most of The Belt east of Texas is expected to rainfall over the near-term, which is not desirable at this point of the season. In fact, significant to heavy rainfall has already

commenced across the Mid-south. Scott called in from southeastern Arkansas to report that on his drive down he only saw a couple of fields that have been defoliated, with many fields exhibiting no open cotton. Rainfall across the area late yesterday was heavy and will delay harvest prep. Defoliation will likely begin in earnest across the Mississippi River Delta as soon as weather permits. Final development conditions across West Texas and Oklahoma remain mostly favorable to excellent.

Net export sales for the week ending Sept 9 were lower while shipments were higher at around 394K and 241K RBs, respectively. It is good to see shipments improve to a level that is more appropriate for this point of the season, which is normally relatively slow. China again claimed the lion's share of new sales. There is still no evidence that exports against 2020/21 were more than 16.04M 480lb bales, even as WAOB holds them at 16.35M in the WASDE.

For the week ending Sept 16, the USDA classed approximately 116K running bales (RBs), of which nearly 90% are deliverable against ICE contracts. The cumulative total for the season is now almost 400K RBs, with almost 90% tenderable.

Internationally, China's central government has approved a loan program for mills to buy cotton from the Xinjiang region as retailers and brands continue to reject items with cotton made from or within the region. China appears to be balancing the need to support its domestic industry versus human rights issues related to forced labor. Private production estimates and projections for India continue to move lower, to around 28M 480lb bales, as a tapering of monsoon rainfall across the nation's cotton producing regions during the second half of the growing season has apparently reduced yield potential.

For the week ending Sept 14, the trade trimmed its futures only net short position against all active contracts to just southward of 17.6M bales; large speculators increased their aggregate net long position to almost 9.4M bales. The spec position remains stacked in an extremely bullish manner, which could lead to quick market liquidation at the first sign of significant bearish news and/or harvest pressure.

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

For next week, the standard weekly technical analysis for and money flow into the Dec contract remain supportive to bullish, with the market testing nearby support. Impending harvest pressure and economic concerns could cause problems for the Dec contract over the near- to medium-term. Continued rainfall across the Mid-south and the southeastern states (especially near the Gulf Coast) could offer support to Dec.

Producers should keep an eye on classing reports as the new crop comes in. We should still see substantial volatility over the next few weeks, but opportunities for rallies to or through the upper 90s will hinge on demand for tenderable stocks and the long staple middling demanded by Asian customers.

Have a great week!

Report Courtesy: Rose Commodity Group

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