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ROSE ON COTTON – COTTON MARKET POST IMPRESSIVE GAINS LAST WEEK, LOWER TODAY

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The July contract gained 619 points last week, finishing at 86.72, with the July – Dec inversion strengthened notably at 283. The July contract has closed all overhead gaps below 1\$. Last week, our models predicted a finish on the week that a to be near-unchanged to higher Vs the previous week's finish, which proved to be correct. The July contract is lower early this week.

We think that the bulk of the surge is simply due to simple supply and demand – a tight projected balance sheet that could get tighter, mostly based on supply concerns – both domestically and internationally, but most tied to the former. However, bearish challenges have merged this week.

Domestically, the optimal planting window for the Mid-south has closed, although some cotton may be sown over the next few days. The window closes for the southeastern states by May 25, while West Texas has a significantly wider window.

It has rained across West Texas over the last few days, but not nearly enough, especially south of Lubbock. The Mid-south remains rather wet as do much of the southeastern states. From personal observation and calls to producers, cotton acreage will be smaller than currently projected.

For the week ending May 11, the US sold almost 165K RBs against the current MY – far below the totals of recent weeks – but shipments remained strong at more than 347K RBs. China and Vietnam were again the largest takers; cancellations were negligible.

For the week ending May 16, the trade increased its aggregate net short position to approximately at approximately 3.86M bales while large specs modestly reduced their net short position to around 1.5M bales. We continue to take the latter as potentially supportive.

The standard weekly technical analysis for and money flow into the July contract is now, with the market significantly oversold. Weather reports across West Texas ahead of Memorial Day week seem likely to be the market's most likely movement factor.

Have a great week!

Report Courtesy: Rose Commodity Group

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