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## **ROSE ON COTTON – ICE COTTON CONTINUES TO TREK NORTHWARD**

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### **LOUIS W. ROSE IV AND BARRY B. BEAN**

The Mar contract gained 116 points for the week ending Dec 20, finishing at 67.96 as the Mar – May spread strengthened to (104). Since then, the contract has gained an additional 74 points. 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.

ICE cotton found support from continued favorable US export data and strength in equities. Increased producer selling and strengthening US currency may have mitigated weekly gains. The impeachment of President Trump has seemed to have little negative effect on ICE cotton futures.

Domestically, the US crop is nearly harvested, with most of the remaining crop on the stalk located across W TX. Weather conditions are expected to be less than favorable this week for wrapping up remaining harvest operations.

Early estimates of 2020 US planted area are off significantly Vs 2019. However, we are not sold on such notions. At any rate, it is far too early to seriously consider 2020 planted area.

US net export sales against 2019/20 were off slightly for the week ending Dec 12 Vs the previous sales period while shipments were significantly higher at around 270K and 225K running bales (RBs), respectively. The US is 71% committed and 23% 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. China was a net purchaser of more than 37K RBs. Sales cancellations were again negligible.

Internationally, weather conditions across South America are expected to remain mostly favorable for crop development this week. Southern Argentina received rainfall last week, which offered some relief from droughty conditions. The horrible drought Down Under persists. Australia recorded the its highest ever average temperature on Wed, Dec 18 at 105°F. Producers of cotton and nearly all other ag products continue to watch this season's crops bake and wither.

For the week ending Dec 17, the trade increased its aggregate futures only net short position against all active contracts to more than 4.5M bales while large speculators flipped their aggregate net short position to a modest net long of approximately 722K 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, with the market also remaining in an overbought condition. However, the holiday season is a dangerous time to commit to a speculative directional position.

*Have a very Merry Christmas and a  
Happy New Year!*

## **Report Courtesy: Rose Commodity Group**

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