



While forwarding of this article is permitted, as is quoting material herein with proper citation, reproduction or redistribution of this report, either in part or in whole, without prior written consent from Rose Commodity Group, LLC is expressly prohibited.

ROSE ON COTTON – COTTON MARKET CONTINUES TO REACH HIGHER; FEW NATURAL OLD CROP SELLERS

26-April-2021

LOUIS W. ROSE IV AND BARRY B. BEAN

The ICE July cotton contract gained 377 points on the week to finish at 88.80 as the July – Dec inversion strengthened to 387. The Dec contract gained 240 points for the week. 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 correct.

While we managed to pen this column late Friday evening, I have just not been able to shake COVID; after a weekend of much needed rests, I think we can now get everything out. We appreciate your patience.

The cotton market moved higher in new crop contracts, most likely, as risk premium associated with the West Texas, Oklahoma, and Kansas drought was factored into the market. For old crop, there are just simply few natural sellers (and specs know this) with almost 3M bales of on-call commitments (shorts) requiring coverage by July 1. There was evidence of a significant amount of spec buying for the week ending April 20.

The US planting season has arrived. Drought stricken areas of West Texas, Oklahoma, and Kansas are now expected to see some (possibly significant) precipitation later this week while the Mid-south and Southeastern states are expected to see showers late this week. The latter two regions received heavy rainfall late last week.

Net export sales were lower Vs the previous assay period while shipments were higher at approximately 110K and 349K RBs, respectively. New crop sales were around 43K RBs; running total is now 1.66M RBs Vs 2.2M last year. The US is 103% committed and 72% shipped Vs the USDA's 15.75M bale export projection. Both sales and shipments were ahead of the average weekly pace required to realize the USDA's target. Sales and shipments are ahead of the long-term average pace for this point in the season. Cancellations were negligible.

Internationally, sowing of the 2021 crop has commenced across Xinjiang, China with cooler than normal temperatures. This weekend's forecast includes sleet and snow, which does not bode well for the early crop. US cotton is facing a double whammy as the dollar gains against key currencies and the cost of shipping has ballooned with increasing energy prices. In other news, India is being hammered by COVID to the point of crippling the nation's health care system and forcing much of the economy to close. Hence, India's considerable annual consumption may have to be spun elsewhere, at least partially.

For the week ending April 20, the trade held its futures only net short position against all active contracts near unchanged at around 13.2M bales while large speculators increased their aggregate net long position to just north of 5.2M bales. The spec position remains stacked in a bullish manner, which could lead to significant liquidation in a very quick fashion.

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 July contract are bullish. The weekly US export report, weather forecasts and conditions, and economic data seem likely to be potential market moving factors next week.

Producers should balance unfavorable planting conditions and the shortage of old crop cotton against longer term concerns over pandemic resurgence, political turmoil, and economic fallout from the US administration's proposed tax, regulatory, and environmental policies. We believe Dec contract has a very good chance of trading to or beyond the upper 80s in the next 6-8 weeks, but we are skeptical that futures can hold those levels through the growing season. Market accordingly. The July and Dec contracts have begun the week modestly higher.

Have a great week!

Report Courtesy: Rose Commodity Group

With well over 60 years combined experience in the commodity trade, the partners of the Rose Commodity Group offer a wealth of knowledge and perspective to their clients. With expertise and direct experience in agronomy, crop production, futures and options, spot trading, hedging, shipping, and insurance, the Rose Commodity Group approaches marketing and risk management from a comprehensive perspective. Rose Commodity Group is not directly affiliated with any other commodity firm; we are not commission futures brokers. Our strategies and advice are based entirely on our client's specific needs and goals.

To learn more about Rose Commodity Group please

visit: <https://www.rosecommoditygroup.com/about/>

Disclaimer: *This publication is presented for informational purposes only. While the information contained herein is believed to be accurate and factual, the possibility of error exists. Commodity trading is an inherently risky proposition and there is no guarantee that trades based on the information herein will result in profitable outcomes.*