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ROSE ON COTTON – COTTON MARKET FINISHES HOLIDAY WEEK NEAR UNCHANGED AMID VOLATILE TRADING ACTION

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The ICE Mar cotton contract picked up 28 points for the week ending Nov 27, finishing at 73.24 as the Mar – May switch strengthened slightly to (82). 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. Still, this Thanksgiving week ended up as most do, with little weekly change in the market.

ICE cotton was higher on the week on strong US export data, weakness in US currency and strength in equity markets.

This week, the USDA estimated the US crop 77% harvested as of Nov 25, 6 percentage points ahead of the 5-year rolling average pace. Significant progress was anticipated. Much of The Belt east of West Texas is expected to see significant rainfall this week, while the balance of The Belt is expected to see mostly favorable conditions. A drive through the North Delta on Thanksgiving Day showed very little cotton remaining on the stalk.

Net export sales were notably (and unexpectedly) higher Vs the previous assay period while shipments were lower at approximately 382K and 205K RBs, respectively. The US is 71% committed and 29% shipped Vs the USDA's 14.6M bale export projection. Sales were ahead of the average weekly pace required to realize the USDA's target while shipments were well short of the pace requirement. Sales and shipments are ahead of the long-term average pace for this point in the season. Sales cancellations were large at approximately 82K RBs. Sales were mostly to Vietnam, Bangladesh, and China.

Internationally, the coronavirus continues to rage, and, despite last week's strong export data, this does not bode well for demand for raw cotton.

The US spot market has seen a remarkable run of business in the past two weeks, with outstanding demand for higher grade cotton in warehouses with fast shipping times. As the supply of higher-grade pre-rain cotton has decreased, we have seen the spot basis widen from the 200-450 on the market (rule 5) we were seeing on a routine basis just 3 weeks ago to a range from even to 200 off for strict lows. Thanksgiving week did not disappoint, delivering a healthy dose of day to day volatility despite the relatively small change week to week.

We continue to believe that selling spot cotton in the low-mid 70s is a wise move, and recommend letting someone else own spot cotton before the first of the year. Those with a taste for risk could consider holding higher grade cotton to sell at a substantial premium in the spring or summer, but we would only recommend this if hedged with puts at current levels, or possibly with a brother-in-law in the warehouse business.

CFTC Commitments of Traders data for the week ending Nov 24 will not be published until Monday, Nov 30 because of Thanksgiving.

For this week, the standard weekly technical analysis for the Dec contract remains supportive to bullish with money flow continuing to turn negative. Next week's trading action will likely be framed by vaccine and election news, export data and movements in equity markets.

Have a week!

Report Courtesy: Rose Commodity Group

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