ROSE ON COTTON – ICE COTTON FINISHES HIGER ON THANKSGIVING WEEK, US AND CHINA CLASH OVER HONG KONG

December 2, 2019

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The Mar contract picked up 51 points over the holiday-shortened week, finishing at 65.36 as the Mar – May spread strengthened slightly to 103. The Mar contract gave up 52 points in Nov. Last weekend, 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 managed to move higher during Thanksgiving week on continued strength in US export business and concerns regarding the supply side of the S&D equation. However, President Trump's signing of a symbolic bill supporting the democratic movement in Hong Kong angered

China, which has potential to derail US – China trade talks and kept ICE cotton on the defensive during the Friday session.

US harvest progress for the week ending Nov 21 (per the USDA) was about 78% complete. Harvest weather is expected to be favorable over the near-term in West Texas, where most of the US crop cotton remaining on the stalk is located. A drive across the northern Mississippi River Delta on Thanksgiving suggests that this region's harvest is nearly complete.

US net export sales and shipments against 2019/20 were higher for the week ending Nov 21 Vs the previous sales period at around 301K and 197K running bales (RBs), respectively. The US is 66% committed and 19% shipped Vs the USDA's projection. Sales were again well ahead of the average weekly pace required to meet the USDA's 16.5M bale export projection while shipments were around 54% of the pace requirement. Sales cancellations were large at nearly 98K RBs and mostly attributable to Mexico and China – mostly Mexico.

Weather conditions this week are expected to be mostly favorable across South America and India. The drought continues to worsen Down Under. New crop sowing in Australia is reportedly nearing completion, with the earliest sown fields now at around 11 – 12 nodes.

India's Cotton Advisory Board has reduced its estimate of this season's production to the equivalent of 28.1M 480lb bales Vs the USDA's early Nov projection of 30M bales. Elsewhere, raw cotton imports into China in Oct were off more than 12% Vs Sept at 336K bales.

CFTC commitments of trader's data for the week ending Nov 26 will not be released until Mon, Dec 2 due to the Thanksgiving holiday.

For this week, the standard weekly technical analysis for and money flow into the Mar contract remain supportive to bullish, with the market remaining in an overbought condition. The market will continue to closely monitor weather conditions, export data and US – China trade headlines. Traders will also be laying their wagers on the directional bias of the Dec WASDE report, scheduled for release on Dec 10.

The next few weeks could be bumpy ones for producers as they work towards the finish of harvest and ginning. With only 3 weeks to trade before the shortened Christmas and New Year's weeks, market overreactions to any news out of China should be expected. Our standard advice to avoid paying more than 1-2 month's storage before selling spot cotton stands, and producers should be ready to react to any move to or through the 69-cent level base Mar.

As merchants build their inventories, we are seeing more selective inquiries and basis differences between the major players. Producers should work with a good broker with multiple merchant relationships to find the best basis for any specific recap. Differences of 100-150 pts between bids are becoming more common. Given the wide range of weather conditions through harvest, we see every reason for these differences to continue throughout the season. Elsewhere, the USDA's attaché in India projected this season's production at 29.5M bales, which is significantly lower Vs USDA. This season's production in Spain has been estimated at 316K and 300K bales by the local attaché and the USDA, respectively; these figures are very near unchanged Vs 2018.

For the week ending Nov 19, the trade noticeably reduced its aggregate futures only net short position against all active contracts to around 1.85M bales in risk-off trading action while large speculators trimmed their aggregate net short position to approximately 1.4M bales. The spec short position provides potential for upward market movement.

For a complete analysis of COT data see our weekly commitments of trader's 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's overbought condition now mitigated. The market will continue to closely monitor weather conditions, harvest progress and yield reports, export data and. (of course) US – China trade headlines. This week marks the beginning of the US holiday season, so shortened hours and skeleton crews at trading houses could contribute to market volatility over the next month.

Our advice for producers remains consistent. We recommend selling spot cotton on rallies to or through the 66-cent level base Mar. in the short to medium term, this market shows every sign of being range-bound, and offers little incentive for a producer to pay more than 1-2 months' storage. For those harboring more bullish sentiments, selling spot and buying May or Jul calls makes much better sense than holding cotton into the spring or summer.

Have a great week!

Report Courtesy: Rose Commodity Group

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