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ROSE ON COTTON – ICE COTTON POSTS MODEST WEEKLY SETBACK, CONTINUES TO FIND SUPPORT

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ICE cotton posted a modest loss for the abbreviated trading week, with the Mar contract giving up 59 points to finish at 78.27. The Dec contract gave back 14 at 77.05. The July – Dec inversion weakened to 122 but remains a bullish near-term and bearish longer-term omen.

Last weekend, our proprietary model (timely prediction available in our complete weekly report) called for a settlement that was to be near unchanged to lower Vs the previous Friday's finish, which proved to be correct. Discounting the week ending April 12 (WASDE week) in which we did not trade our model's prediction, our model has posted five consecutive weekly gains,

ICE cotton moved lower on the week on weakening US export business, unexpectedly significant rains across West Texas (with the likelihood of more to come) and, mostly likely, some profit-taking by spec longs ahead of a long weekend

Domestically, per Scott's travel though the southern Mississippi River Delta on Wed – on both the MS and AR sides of the Big Muddy, little corn planting progress – or even fieldwork – was

noted. Consultant reports from MS relay that the state is around 30% planted with respect to intended corn acreage, and the percentage is likely lower in the northern portion of the region. Such could translate into higher than currently expected cotton acreage.

Corn planting will mostly cease south of Memphis, TN around April 25 and around May 1 for areas within the Mid-south north of the city.

We have noted recent comments by management of a major international cotton merchant regarding competitiveness US cotton with respect to world trade, even if a trade accord is reached between the US and China over the near-term. We think that this is mostly an attempt to ready producers for weakening basis amid increased export competition from Brazil.

Don't count on it. Brazil does produce, overall, better quality cotton than does the US, but infrastructure continues to make deliveries challenging and often unreliable, recent improvements notwithstanding. Too, the only verifiable means of quality is the accompaniment of a USDA-AMS green card, which is mutually exclusive to the purchase of US cotton. China will be interested in US cotton, especially if droughty conditions persist across Australia.

US export sales and shipments were off noticeably for the week ending April 11 Vs the previous sales period, but remained relatively strong, at approximately 232K and 352K running bales (RBs) respectively. Sales were well ahead of the average weekly pace required to match the USDA's export projection while shipments fell short of the requirement. Still, it bears noting that it is not only the ending stocks number on July 31 that matters, but the amount of cotton left unsold on that date that can have a marked effect on ICE futures prices.

Internationally, a positive vibe persisted over the course of the week regarding US – China trade talks, although no official announcements were released. Sowing is getting underway across Xinjiang, China; the USDA's attaché in China has projected 2019/20 production and consumption modestly higher at 27.56M and 41.1M bales, respectively. USDA affiliates in Australia have estimated 2018/19 production at 2.3M bales (Vs USDA at 2.5M) and 2019/20 production at 2.2M bales.

For the week ending April 16, the trade trimmed its aggregate net short futures only position to approximately 10.1M bales, covering more shorts Vs the liquidation of longs. Specs trimmed their aggregate net long position to just below 1.2M bales, mostly via the addition of shorts.

For next week, the standard weekly technical analysis for and money flow into the May contract remain supportive to bullish. Traders will continue to closely monitor weekly US export data, news regarding US – China trade talks and weather reports ahead of the thrust of the US planting season. At this time, we think that the prospect for increased precipitation across West Texas and lower than expected US corn sowings across the Mid-south and the Southeast could impose a bearish sentiment on market participants.

Have a great week!

Report Courtesy: Rose Commodity Group

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