



# CHOICE COTTON

*Your Cotton, Your Choice.*

## Market Briefs

*Week ending April 10, 2015*

Contract Month	April 2 <sup>nd</sup> Close	April 10 <sup>th</sup> Close	Week's G/L
May 15	63.69	65.06	+ 137
July 15	63.80	65.40	+ 160
Dec 15	64.54	65.61	+ 107

Current LDP .91 cents

Last week both old crop and new crop futures posted triple digit gains. After four consecutive weeks of higher highs, they are once again trading in the mid 60's. The question now becomes can we breakout of the upper end of this trading range that for months has shown resistance at 66 cents. Sadly, we have seen several attempts at this fail over the past few months. However, giving us greater confidence this time is the fact that technical indicators are showing positive signs to complement the already favorable fundamentals. To better examine this let's look at old and new crop futures independently.

As for old crop, July has now become the front month with May so close to expiration and most merchants bidding 2014 cotton off the July contract. The shortage of quality cotton continues to bolster old crop prices as seen by the 160 point gain in a week when news was quite mixed. On the technical side, this is the first time since June of last year that futures prices have moved up the 40 week moving average. This is quite significant since the week charts drive a lot of the algorithms used by funds and specs who are now increasing their long positions. If there is a break out expect a great deal of resistance between 66 and 69 cents. It could take several weeks to work through it all, but if successful beyond 69 cents little stands in the way.

Cotton fundamentals justify additional price momentum, too. Week after week strong exports sales figures and record cotton shipments reflect the strong demand for quality cotton, which remains scarce. The U.S. is poised to exceed its export estimate by possibly 300,000 bales, which when accounted for should decrease ending stocks. Our competitor in producing quality fiber, Australia, continues to see their crop decline due to heavy rainfall during harvest. The word is that China will lower support prices offered to growers in an attempt to discourage cotton plantings. In addition, they have been prominent buyers of U.S. cotton in recent weeks, which most likely indicates their large cotton reserve is of less than desirable quality. Both of which could make them larger importers of cotton than once thought. Despite this optimism, the affect global economic conditions can have on markets must not be overlooked. The triple digit loss of last Thursday is a good example of its effect on markets. For this reason, anyone with a significant amount of old crop cotton left to sale would be wise to price at least a portion of it on this rally.

Though drug along by the front months, the Dec 15 contract has been slower to move. With 70 cents plus certainly in the cards for new crop, it may take months to get there as plantings and crop progress is digested. Nonetheless, these same positive fundamentals will be at work.