



CHOICE COTTON

Your Cotton, Your Choice.

Market Briefs

Sept. 22, 2015

My father always warned me to be careful what I wished for. I was reminded of that when reflecting on last week's cotton market activity. Over the past several months, we've bemoaned how boring this market has been, attracting little in the way of attention from speculative funds as well as textile manufacturers. Both parties have been content to sit on the sidelines watching it trade in the 60's and not willing to buy the market. We've watched impatiently as the few attempts to break through 68 cents were met with a lack of buying momentum and quickly retreated to support in the low 60's.

Last week began like all the others with the market trading slightly downward on low volume but continued to maintain support above 61 cents. No surprise following a rather unchanged USDA WASDE September report. Then came Friday, where things changed abruptly. Around mid-morning, heavy fund selling began, eventually driving the market through its long standing support level. This in turn, triggered other sale stops along the way adding to the decline where the Dec contract settled at 60.55, the lowest close since last March.

As for cotton, the 800 pound gorilla in the room at present is demand, or lack thereof. Until demand interest can be sparked at the retail level to pull cotton through the supply chain, there is little chance of returning to the upper 60's. There is growing concern that economic conditions in the major cotton consuming countries will continue to worsen, further reducing consumption. In the U.S., the Feds all but insinuated this in their decision to delay raising domestic interest rates. Also, last week's export sales report was below the pace needed to match the USDA export number of 10.2 million bales, similar to that seen in previous reports. This, along with the potential for a larger crop, was enough to get the specs off the bench as sellers not buyers, unfortunately.

We'll be watching carefully to see what reaction the mills have to this latest selloff. Will they take advantage of these lower prices and buy the market? Or instead, stay on the sideline hoping prices will fall even further. The charts are certainly not in our favor as they search for a new price support level. The most pessimistic pundits have this in the mid 50's. We're much more optimistic counting on mill buying and short covering to give this market a bounce. Always looking for a positive. Next week's POP is estimated to be near 7 cents when calculated Thursday evening. Again, this plays into our pool marketing strategy and one we would advise non-pool producers to adopt. Concentrate marketing efforts to maximize POP and quality premiums as a means to supplement futures price. We at Choice Cotton would be glad to assist you in this endeavor.

Until next time,

 **AUTAUGA**
QUALITY COTTON