



AUTAUGA QUALITY COTTON

Your Cotton, Your Choice.

The Turn Row

*by Jeff Thompson,
Choice Cotton / AQCA Manager
December 9, 2015*

Market Briefs

Last week's market action was very encouraging and quite welcomed after weeks of trading sideways. Us few that have been camping out with the bulls can feel somewhat vindicated, even if for a short time. The March contract finally had enough resolve to break through strong resistance at 64 cents to close above it at 64.71 on Friday. This was a gain of over 300 points for the week. Of course, with this came a drop in the LDP/POP Thursday night from 5.11 cents to 4.06 cents. This anticipated decline fostered a great number of grower sales and trade purchases as witnessed by the number of recaps coming into to our office. Reports have over 2 million bales exchanging hands last week, alone. This week's action thus far further solidifies and supports this breakout by trading nearly unchanged for the first two sessions closing Tuesday at 64.44.

As a frequent reader, you know we've been cautiously bullish for some time now while the majority has been quite the contrary. Our sentiment hinged on a U.S. crop destined to get smaller, not to mention a world crop facing a similar fate. It is very unlikely our domestic crop will exceed 13 million bales as harvest losses this fall exacted a toll on this crop certain to come in significantly below the USDA estimate of 13.3 million bales. Demand, once thought to be our Achilles heel, is showing signs of improvement. Export sales for the past two weeks have been highs for the year, exceeding 200,000 bales respectively. That's not to say lower consumption won't be an issue, as

synthetic fiber remains a formidable opponent in light of continued lower oil prices. However, reduced supplies from competing countries will give entry to more U.S. cotton in the export market than once expected as textile mills frantically search for quality fiber. The big question then becomes, will this buying continue as futures prices move toward higher ground? Our thoughts are in the end they will. The previous hand to mouth buying habits of our textile manufacturers have left them with little in the way of inventory. This breakout may be the catalyst necessary to heighten their purchasing power in fear of even higher prices. The recent rally was predicated in large part by these improving fundamentals. It is believed Wednesday's USDA release of the December WASDE report will formally reflect these more favorable numbers. Although a lowering of the U.S. production estimate is likely it's probably too early and too much to ask of them to make any changes to our export estimate. However, any adjustments that result in a lowering of U.S. ending stocks will be viewed as bullish by the market.

Now, let's not forget our friends, and sometime enemies, the speculators and funds. Most often influenced



by technical rather than fundamental data, they currently hold a long position. Nonetheless, it's not as big a long position as they have been known to have, so there is still room for more buying. With this rise in prices, the charts have become rather bullish with moving averages and other indicators emitting buy signals. This, too, could provide some valuable momentum to this market advance.

Another boost to our bullish confidence is the fact that this is all happening despite a strengthening dollar, lower oil prices and continued world unrest. All of which are negative market influences. We must stay wary of these outside factors and the sudden shift in market sentiment they can produce. The Fed certainly seems determined to raise interest rates next week in light of what appears to be better employment numbers. Such a move would lead further strengthening of the dollar. However, we've been teased by them for months and I will believe it when I see it. Even so, one would have to think the market has already taken into account this possibility.

For weeks now, we've been encouraging non-pool growers to capitalize on the combination of sales premium, LDP/POP and futures prices to

get the most out of this market. This week provides another excellent opportunity as rising futures prices have offset set last week's small decline in LDP/POP. With a possible steeper decline set for Friday, let us be your testing finger in the mixing bowl by assisting with you with recaps in an effort to get the best possible price available. The sales basis remains very strong for high quality cotton, though sadly there is little left as grades on later harvested cotton have seriously deteriorated. Even so, longer staple cotton (36 or better) continues to be in demand warranting a positive basis despite all of this.

Until next time,



CHOICE COTTON

Jeff Thompson

119 East Main Street
Prattville, Alabama 36067
Phone: (334) 365-3369
jthompson@aqca.net

AQCA.COM

David Mullins

PO BOX 389
Rotan, Texas 79546
Phone: (806) 549-4137
dmullins@aqca.net

AQCA.COM

John Mitchell

119 East Main Street
Prattville, Alabama 36067
Phone: (334) 380-4738
jdmitchell@choicecotton.com

choicecotton.COM

Bryan Wells

7930 Parkside Circle
Donaldsonville, GA 39845
Phone: (229) 400-5548
bwells@choicecotton.com

AQCA.COM



AUTAUGA
QUALITY COTTON