

The Cotton Market & More..

By: Jeff Thompson
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I've always been a huge fan of roller coasters. The steeper the hills the more thrilling the ride. What fun it is to have hands high in the air, pulled from your seat plummeting down a hill at break neck speed screaming like nobody's business. I've experienced a similar feeling watching the recent cotton market sell off, absent the fun but the screaming, nonetheless. We've seen prices fall 585 points in September alone, worse yet 750 points have been lost in the last quarter.

The unresolved trade war with China still weighs heavy on this market despite strong positive fundamentals that show no signs of weakening. Some think lower export sales the past few weeks indicate demand may be waning. We disagree, looking at this as more a timing issue. Buyers have satisfied their short-term needs, as seen by over 9 million bales of new crop already committed to sales. In addition, merchants are reluctant to pursue additional sales until the quality of this crop is better known. On a positive, this week's resolve to NAFTA changes by the U.S, Canada, and Mexico gives hope the U.S. trade negotiation strategy may be working and at some point, similar success will be seen in deliberations with China.

The market is definitely oversold settling into a mid-70's trading range. Even though the specs have reduced their long positions they have not succumbed to panic selling but rather have chosen to sit on the sidelines. This and mills taking advantage of current prices to fix on-call sales should provide needed support. What this market needs most is some sort of news or event to get these specs back in the game buying futures. Next week USDA will release their monthly WASDE report. The U.S. production number should be lowered accounting for the Hurricane losses. Unless they once again mysteriously find some added acreage. A favorable report could be just the thing to give this market a bump. Otherwise, it may be early next year before renewed demand jumps starts this market. But stay tuned closely for a lot can happen both in and out of the market to influence prices between now and then.

That said, the best thing one can do now is wait patiently. I would certainly discourage selling into this declining market but rather advise setting your sights on any move back into the low 80's. Don't forget your bonus in the form of MFP. Maybe just maybe this roller coaster has pulled into the station temporarily before slowly climbing back up that steep hill.

Until next time,