

Market Commentary

By: Jeff Thompson

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For weeks, pundits have been running around like Chicken Little telling us how the sky is falling, economically. While most economic indicators, as well as cotton fundamentals, are signaling just the opposite. Repeatedly, hearing such grave news has eroded investor confidence sending stocks, with commodities in tow, into a tail spin. As of Christmas Day, the S & P 500 was down nearly 20 percent from its October high, losing 2.5 percent on Christmas Eve trading, alone. Cotton has followed, declining 23 percent from its high in June. Our hope is this will bring out the bottom fishers; A glimpse of which we may have seen in Wednesday's trading as the Dow made its biggest one-day gain in history, 1056 points or up 5 percent.

The question now becomes is this rebound sustainable? Is there life left in this long running bull market? Looking at current events, one quickly realizes there are a host of negative forces threatening any such rebound. The trade battle with China still looms with little in the way of negotiations being seen. President Trump's fight with Democrats over the

wall and resulting partial government shutdown has muddied the water. The Fed's interest rate hike will most likely put the brakes on what has been a rapidly growing economy. The subsequent rise in the dollar will weigh heavy on exports, such as cotton. Unnecessary remarks from the Administration have instilled a degree of fear and uncertainty. Such as, Mnuchin's public reference to bank liquidity and Trump's continued criticism of the Fed, be it warranted or not.

Why so much talk about the stock market in a cotton marketing report? Well at a time when the trade, both buyers and sellers, are content to sit idle cotton prices will be largely influenced by the financials and economic news of the day. Therefore, considering these negatives don't expect a significant rally in cotton prices any time until some of these items play out. The current support level for the March contract lies at 72 cents after it blew through previous support of 75 cents without batting an eye. It's currently testing that level closing Thursday at 72.06.

Aside from its price slide, the situation for cotton has gone from bad to worse. Relentless rains continue to hinder harvest efforts. Thousands of

acres remain unpicked and countless modules are still in the field unable to be picked up. As of December 20th, only 68 percent of the estimated U.S. production has been classed. Such conditions try even the most optimistic soul. I would urge anyone with 2018 cotton unpriced to call on all your wherewithal while lowering your price target to the upper 70's. There are too many outside forces working against sound fundamentals to realistically see a major run into the 80's anytime soon.

As this is my last writing for the year, allow me to end on a personal note. What I like best about the holiday season is for a brief time the mundane toils and tasks of everyday life are put aside to reflect on what's most important - our faith, family, and friends. The tremendous trials and tribulations of the past year confirmed how trust in these three will get one through the hard times. Take comfort in this knowledge as we prepare for 2019 and what might lie ahead. I'm so grateful to those of you I've worked with over the years. You're considered not only trusted friends but family. We're there to share the ups and downs, willing to listen, encourage and assist in any way along the way. My warmest wishes go out to you and yours for a happy and prosperous New Year.

Until next time,