WEEKLY MARKET REPORT

WEEK ENDING APRIL 12TH

CHOICE COTTON AUTAUGA QUALITY COTTON

Dollar cotton, a rarity, has only been experienced five times in the past fifty years. Unfortunately, each time the descent was much steeper than the climb. Most recent being no exception after peaking at 103.80 in late February cotton prices have fallen twenty two cents in just six weeks. Making this even more painful, the cost of production hasn't declined in relation to it. Managed funds or specs, who care less about the cost of growing cotton, have become sellers driving prices downward.

May futures closed at 82.62 after falling 363 points, for a fifth consecutive losing week. Aimlessly, December futures slipped into the 70's for the first time since mid-January before settling at 80.11. With Open Interest declining at such a rapid pace it is obvious spec liquidation is the catalyst behind this move. The latest CFTC report shows them as net sellers for a fourth consecutive week reducing their net long position in the process by over three million bales to its current level of 6.2 million.

The overall vibe of this market remains negative. Last week's export sales and shipments came in below the four week average. When combining marketing years, sales totaled 125, 200 bales while shipments of 224,100 bales were destined primarily for China, Turkey, Pakistan , and Mexico. More concerning, total sales commitments to date are only 93.8 percent of the export estimate compared to a five year average of 102.2 percent. As for supply side, a good portion of the cotton producing area of West Texas received significant rainfall increasing its potential for a much larger crop. In addition, April's Supply/Demand numbers failed to incite a market rally. Both World and U.S. estimates remained largely unchanged except for a slight decrease in world ending stocks of 260,000 bales.

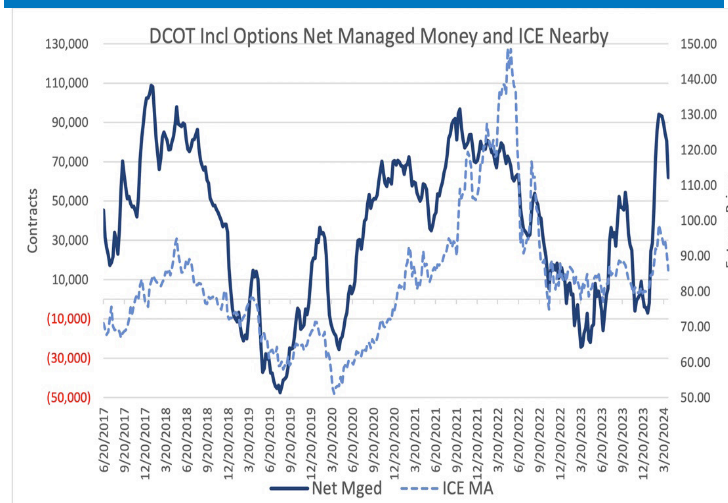
In economic news, inflation shows no sign of abating thus dampening hopes of an interest rate reduction in the near future. Last month's CPI climbed 3.5 percent year over year following a 3.2 percent increase in February. Core CPI, considered a better indicator of inflation, rose 3.8 percent annually. Three straight months of increases suggests a growing trend more than a temporary hiccup. Similarly, PPI, a measure of inflation on the wholesale level, rose 2.1 percent for its biggest gain in twelve months. Until these prices are worked out of the supply chain expect little cooling of inflation.

Where to from here? Our love - hate relationship with the spec community has become bitter with their newfound distaste for cotton. Though still net long six million bales, this also represents a great deal of selling pressure if their negative sentiment goes unchanged. Be mindful, they were short a couple of hundred thousand bales not too long ago when the run to a dollar began. Positive news is sorely needed to halt or reverse their actions, but I see nothing of the sort. Of more grave concern, a black swan could be lurking following the events of this past weekend when Iran unloaded a barrage of missiles on Israel. If cooler heads do not prevail in the Middle East and tensions escalate, supply and demand numbers will be the least of our worries. This week's trading could be rather unnerving as markets will be sensitive to news coming from this region coupled with negative vibes already surrounding cotton.

Until next week,
Jeff Thompson

DEC Futures Chart

Source: ICE



	12-Apr	Weekly Change	
May 24 Cotton	82.62	-3.63	-4.21%
Dec 24 Cotton	80.11	-2.54	-3.07%
Sep 24 Corn	4.56	-0.02	-0.05%
Nov 24 Soybeans	11.76	-0.08	-0.72%

Week Ahead

Monday- Retail Sales @ 7:30 am

Thursday- Export Sales @ 7:30 am

Friday- CFTC @ 2:30 pm