

Market Commentary

By: Jeff Thompson

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Thomas Jefferson once eloquently said, “I predict future happiness for Americans if they can prevent the government from wasting the labors of the people under the pretense of taking care of them.” No matter which side of the political spectrum you are on, I think you will agree that happiness is a seemingly distant desire considering the circus we now have in our nation’s capital. The actions and harsh discourse of our elected officials weakens confidence in an institution entrusted to serve the will of its people through thoughtful and civil deliberation. Regrettably, civility and compromise have been replaced by contempt and antagonism.

A strange way to begin a cotton commentary you might say; not when written out of utter frustration. Day after day, week after week one watches in despair as world economies slowly succumb to the consequences of these actions. Around the clock sound

bites from the media, who thrive on misfortune, do little to encourage optimism. Even where there may be a semblance of hope, these feelings are dashed as China and the U.S. release contradictory statements only weeks away from their highly touted trade summit. That, coupled with a government shutdown now in its record 34th day, is enough to try the patience of the most optimistic. The question now becomes is there an end in sight to either? If so when, more importantly, how will the economic landscape appear at that time?

As we prepare for another crop season, cotton perilously finds itself at the mercies of these and other outside influences. It’s obvious price strength will depend greatly on increased demand for cotton fiber. Conversely, such demand requires thriving healthy economies where consumers are financially confident. Therein lies the dilemma and this uncertainty has pushed prices lower in recent weeks. A weakening Chinese economy, as many suspect,

is viewed unfavorably lessening their need to import cotton despite a trade resolution.

On a positive note, firm price support has been found around 72 cents, as mills see this as a buying opportunity. I say this to be so even though we're all flying blind absent any USDA reports since the shutdown began. This includes weekly exports sales, monthly supply and demand numbers, as well as, weekly commitment of trader's report. Nonetheless, there does appear to be minimal downside risk as current price levels continue to attract buyers and the spec community is comfortable patiently awaiting planting intentions and the smoke to clear.

Marketwise, those still looking to price 2018 crop should view 75 cents as a very attractive target. Too many outside forces are at play and formidable resistance will be found there to gamble on it moving much higher. As for new crop, merchants currently aren't being very aggressive with their 2019 contract basis, for obvious reasons. However, I'm always quick to advise, don't get too hung up on a basis when the futures price should be your primary focus. Keep in mind many began pricing cotton in the mid 70's last year and were wise to do so. December

futures are currently trading at 74 cents providing an excellent chance to enter the market, especially considering the overall environment isn't near as bullish as it was this time last year.

We at Choice Cotton would be glad to assist you in marketing your 2019 crop. Call our office at 334-365-3369 to discuss forward contracts and other marketing options we have to offer.

Until next time,