Cleveland on Cotton: Is Cotton's Current Price Cap Stuck in the Mud?

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Please bless my friends. Some have old crop going to 90 cents, and I do hope they are correct. I am still stuck in the mud with an 85-cent cap – which was all but penetrated midweek as bulls tried to push higher while the bears kept holding the line.

The 86-87 cent market is possible – anything is – but the probability of such is all but zero.

Simply, the cash market is terribly slow and likely the bull/bear battle occurred only because the May futures content was moving into its expiry period – always a wonderful time to attempt to move the market a few cents in either direction. Then, maybe I'm the one who has missed the supply demand situation and cotton demand is increasing. If so, I am under a rock somewhere, as I do not see any appreciable cash business being done. There is a little, some every day, but the weekly totals are meager.

Without cash business, then only the day traders are left to probe the market and attempt to start a run. My Ouija Board is black and white, tattered and torn, and with old stains (much like me). The new ones are three dimensional and all dressed up like the new folks. Hopefully, their forecasts will mark a new beginning and move prices higher.

That leaves me as a stick in the mud.

The market did climb to the 100-day moving average but failed in its attempt to jump the 200-day moving average. Additionally, trading moved up to the heavy price resistance at 85 cents and immediately suffered a triple digit loss followed by another triple digit loss. Maybe it does it again. Maybe prices can continue to ram that resistance line a couple more times, weaken it, and then just ram through it.

It has happened, but it will be a very tall order.

Again, hopefully I have missed the market. Yet, I am stuck with the rising interest rates, the increasing costs of gasoline and diesel, the slowing of retail sales, and simply fall into the trap of believing that the Piper must be paid for the reckless spending of the U.S. Government. With Europe now battling inflation and experiencing weaker sales of retail goods, the world textile spinning industry is in no hurry to operate at negative to exceptionally low margins.

So many appear to pin their hopes of higher prices on export sales. Forget that the world is flush with 92 million bales of cotton and the forecast for U.S. sales is only 12.2 million bales. So what if U.S. sales jump another 300,000 bales next week. World carryover will still be almost 92 million bales. By the time all adjustments are made, U.S. carryover will still be 3.9-4.0 million bales.

Forget exports. There is no hope for old crop there. Instead, the market is focusing on mill margins, mill demand, retail sales, the value of the U.S. dollar, and it all is neutral-to-bearish for any price improvement. The only price appreciation (hopefully there is some) will be in the value of the new crop December.

Current weekly export sales and shipments were bearish, and the new on-call report was bearish and trending toward a very bearish view. I would not mind eating crow on this.

Old Crop Prices: The 78-85 cent range continues; price on a return to 84 cents

New Crop Prices: Mother Nature, 70-100 cents

Give a gift of cotton today.