

Cleveland on Cotton: A Quiet Week for Cotton as 2024 Approaches

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The Santa Claus family left few presents under the tree for cotton and other agricultural commodities. But then, the Grinch failed to take any away.

Cotton settled the week resting peacefully at the intersection of an upward sloping line and a downward sloping trend line – a place where it tended to linger all week. Thus, there is some importance in holding the 79.00-79.40 cent level.

Market news was quiet all week, and trading amplified the absence of news with a very narrow trading range marked by limited volume. There was some minor evaporation of open interest, just as one would expect, given that prices sit below all the major moving averages – the 10-day, 20-day, 40-day, 50-day, 100-day, and 200-day.

Fundamentals and technicals are open to a lower market, but prices did hang close to the near-term downward sloping trend line all week, holding above it on a settlement basis. Yet, prices are flirting with the possibility of falling to 78 cents and are facing very stiff resistance above 80.50 cents. The short-term view suggests a test of the 77-78 cent level, but we may be splitting hairs.

Positive news comes in the form of a few pontificators calling for a turnaround in the CRB Index, a point I would be remiss not to note. I have not bought into that forecast, but several now suggest the U.S. economy has turned the corner with respect to inflation, a recession, wage recovery, and generally better economic news. I promise, I do want to buy into that, but that would be wishing and hoping on my part. Unfortunately, I cannot find any friendly evidence on the horizon for cotton prices. Hopefully, my peers will prove to be correct and happy days will be ushered in with the new year.

Yet, inflation has abated somewhat, but the three-year rate is nearly 15%, and that continues to haunt the consumer. That increase is permanent. Mortgage rates are down but are only just below 7%. Neither of these suggest a rosy outlook, suggesting only that the bloodletting has been checked. Withdrawals from 401Ks have established record highs for three consecutive months.

A University of Chicago study reported that new governmental regulations have added about \$10,000 of new costs annually to each family. Moody's research shows families are facing a monthly increase in living costs of \$1,031. Add on the multi explosion in new immigration, and federal spending is only escalating and, as expressed in prior weeks, will add to more inflation in 2024.

A small feather in cotton's cap was the weekly export sales report. Yet, it did not move the price needle. Shipments of upland cotton were a marketing year high of 222,300 bales. Upland sales managed a net of 146,700 bales. Primary buyers were China, Vietnam, and Guatemala. Sales were made to 14

countries, and only four countries purchased more than 7,500 bales. The demand problem will just not go away.

The 80.50-81.00 cent range hold stiff resistance. Next week, we will outline the bullish and bearish actors facing the market in 2024.

Give a gift of cotton today.