# Cleveland on Cotton: Cotton Enjoys Bullish Run

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Cotton continued its bullish run all week, all but challenging the top end of the yearlong-plus trading range. As expected, price resistance at the 86-cent trading level halted the advance.

The market was boosted by spec and fund traders pouring money into the long side of cotton futures as open interest shot higher on the rally. Yet, also as expected, once the Chinese market showed weakness, so did New York. Thus, the long standing 76-88 cent trading range continues.

Likely the market will settle back to pivoting around the 84-cent mark, although the long-standing supply bullishness has turned even more bullish. That does not rule out another run down to 80 cents, but likely mill fixations between 82 cents will halt any attempt to fall to 80 cents, especially considering the inevitable decline in the size of the U.S. crop.

Unfortunately, do not look for USDA to confirm the smaller crop until April 2024, at the earliest. Oh, if I could only be wrong about that. Nevertheless, look for the May/July futures to challenge the very top of the trading range before the July expiry. The call options you purchased to avoid paying for storage will be of excellent value to you.

The new crop December traded back to 81 cents, buying a few more planted acres and further continued to build a base to move above 85 cents at some point in the marketing year. Too, as commented several weeks ago, and simply based on historical trading patterns, the 2024 crop will see nearly 90 cents or better during the 2024-25 marketing year.

Growers were active sellers during the week (or at least fixed futures contracts) as they should have been. The price rally was an indication of a hungry market, and growers did their part in feeding the higher prices. They will have another chance, but it would be most helpful if USDA would reconcile actual cotton ginnings with the NASS crop estimate sooner rather than later.

Many are suggesting that USDA should increase its estimate of exports. But as the famous football announcer says, not so fast. Export shipments continue to lag the pace required to meet the USDA estimate both year to date and on an almost weeks basis. True, there is the occasional week when sales are made to a score or more of countries. However, most countries are only token buyers.

Only China and Vietnam are consistent buyers on a weekly basis and will continue to be. Vietnam will buy to feed their spinning mills, while China will continue to rebuild its strategic reserve. Pakistan, Bangladesh, and Turkey are buyers in many weeks, but most other countries have, until now, only come in when prices were 82 cents and below.

Demand, as per the general economy, continues to lag any idea that consumption will improve. Yet, consumers have yet to return to the cotton apparel market at a pace that exceeds the level of inflation. That is, while sales are increasing, the increase is associated with higher prices rather than increased volume of consumption. That is clear, as mills have not been able to pass along higher cotton prices – a phenomenon that further slows the pace of spinning.

While weekly export sales were positive, export shipments were poor. Yearly sales to date are now 9.7 million bales, of which only 4.0 million have been shipped. The USDA estimate for shipments is 12.1 million bales.

The market is now challenged with holding the 84-cent level, basis March, to keep the momentum alive. This will likely occur, at least over the next several weeks as the near void of certificated stocks with March first notice day approaching is setting up a scramble to find deliverable grades.

As commented last week, do not expect to see the top of the trading range to be challenged. Yet, this market has not finished challenging the 86-cent level, basis March. Yet, it may take a trip back to 83 cents before that challenge is mounted.

Give a gift of cotton today.