Cotton Marketing Weekly
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January 4, 2019

Cotton - The Fiber of Choice

A 13 month price low was all the market could stomach as it broke higher on end of the week trading. Just as the big bear was preparing to maul the market prices jumped some 250 points higher before settling the week 169 points higher, basis the nearby March futures contract. Mills were aggressive buyers and helped rally the market. Prices are now down some 22 cents from earlier highs and off about 12 cents from the beginning of the tariff dispute with China. Nevertheless, the bearish fundamentals do outweigh the ammunition held by the bulls. It is our tradition we like to begin the New Year with a listing of bullish and bearish factors facing the market.

Bullish
Declining world carryover—typically a very forceful factor
Declining Chinese carryover—typically another very strong factor
Declining world production—another strong indicator
A trend of increasing world consumption
Smallest Indian crop in 9 years—an impending disaster
India to import U.S. cotton
Two largest producing countries reducing stocks—China and India
Watch events in India—That crop disaster will likely impact trading worldwide

That comprises the major bullish factors facing the market. Typically, a listing of this nature would overwhelm any set of bearish factors. Yet, as the lyric goes, "The times, they are a changing."

Bearish

U.S. China trade war—Agriculture and specifically cotton, no seat at bargaining table
Two of the largest import markets effective closed to U.S. cotton—Turkey and China
China and Turkey account for some 4 million bales of U.S. cotton exports—Drastic hit
World's two largest textile economies are reducing cotton spinning—India and China
Dramatic slowing of Chinese economy
Slowing of European economy
Rapid expansion of Brazilian land area for field crops—explosion of cotton and soy
U.S. facing a 4.5-5.0 million bale increase in production
Rapid decline in crude oil price—reinvents the age of cheap polyester
Pay careful attention to Brazil

No doubt one can ask a few more obvious points to the price equation. Yet, these are the primary factors. Trading in such an uncertain market has seen all traditional support levels fail and trading range has now dropped to the 70-72 cent level. While a very bullish set of circumstance do exist (India), the market has found it much easier to fall than to hold what was thought to be very strong price supports points. The door is now open to see prices fall to the 64 cent level on a move back to 70 cents.

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