



THE ROSE REPORT

Monday, June 30, 2014

Daily Cotton Producers and Ginners Edition

Market Recap

Dec lost 134 points today, post the dissemination of an acreage report that relayed estimated acreage well above trade expectations, to settle at 73.51. Today's settlement marks new intraday and settlement lows for the current downtrend, as well as new two year lows. The settlement was within the lower one quarter of today's 177 point trading range (73.30 – 75.07).

Volume quickened today for Dec while OI was nearly static at approximately 119K contracts on Fri. Mar lost 125 points today to settle at 74.95; the net effect left the Dec – Mar spread weakened at (144).

The forward A-Index was reported 30 points higher at 82.15; the Dec – Forward A-Index spread narrowed to 630 points. The US low quote gained 25 points today at 92.75; Brazilian quotes, per CEPEA, were 11 points higher at 86.07. The Bremen CIF Index was reported 25 points lower at 94.20. Spot prices in India were marginally higher

while spot prices in Pakistan were reported slightly lower.

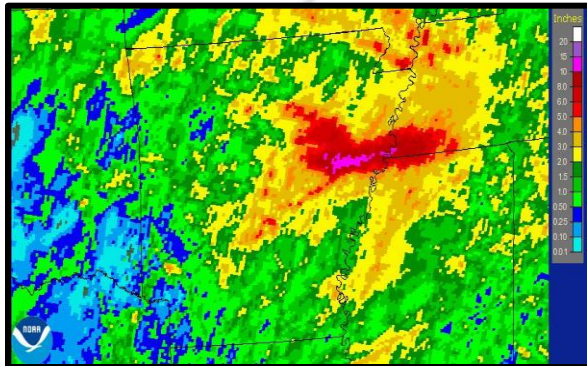
ICE certificated stocks were reported higher at approximately 456K bales; approximately 21K bales are currently awaiting review for certification. CZCE-traded cotton in China settled higher overnight while MCX-traded cotton futures in India settled mostly higher.

Grains finished the day significantly lower across the board on the front months; the US Dollar Index finished significantly lower, as well. Major US indices finished higher across the board.

Major European indices closed mostly lower today while Asian markets finished mostly higher in overnight trading. The energies settled mostly lower today while the major metals finished mostly higher.

News, Weather & Report Results

Although showers were in the near-term forecast for cotton producing regions of the mid-southern and southeastern US states over the past weekend, precipitation over the mid-southern states was much heavier than expected. The map below shows rainfall totals for the past week; some areas received in excess of 12 inches of rainfall, much of that occurring yesterday. Although the rain was beneficial in some areas, it was quite harmful in others.



Internationally, significant monsoon rains are not expected to materialize over India within the coming week. Dry weather is expected to continue this week over western Brazil, which will facilitate harvest operations.

In economic news, pending home sales within the US in May were off significantly M/M, although higher than pre-report expectations; Y/Y sales increased dramatically. The overall inflation rate within the EU was reported unchanged Y/Y and matched pre-report expectations, while the core inflation rate was reported to have increased slightly.

US acreage planted to cotton was estimated at 11.369M acres with 11.19M and 178K acres estimated to have been planted to upland and ELS types, respectively. The majority of the increase in acreage planted vs the Mar 31 Prospective Planting report was reported to be in GA (+100K acres) and TX (+50K acres).

The condition of the US cotton crop was rated as nearly identical for the week ending June 29 vs the week ending June 22; the Dow Jones Cotton Crop Condition Index was unchanged W/W at 97; the Dow Jones index stood at 94 at this time last year.

Nationally, this season's crop was estimated to be 36% squaring vs 25% last week and 42% for the 5-year rolling average. The percentage of this year's crop estimated to be setting bolls was estimated at 7% vs 3% last week and the 5-year rolling average of 10%.

Technical and Fundamental Analysis

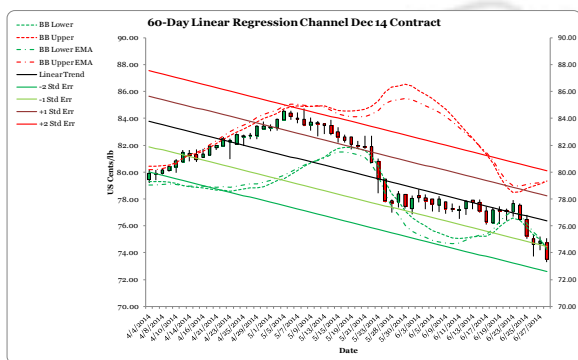
Dec has now given up 1114 points over the last 39 trading days; 417 points over the last 5 trading days. Dec should again commence trading action this evening well below its 5-, 10-, 20-, 50-, 100- and 200-day SMAs.

<i>Dec Simple and Exponential Moving Averages</i>		
<i>Period</i>	<i>SMAs</i>	<i>EMAs</i>
<i>5D</i>	<i>74.95</i>	<i>74.84</i>
<i>10D</i>	<i>76.01</i>	<i>75.69</i>
<i>20D</i>	<i>76.81</i>	<i>76.78</i>
<i>50D</i>	<i>79.91</i>	<i>78.51</i>
<i>100D</i>	<i>79.62</i>	<i>79.25</i>
<i>200D</i>	<i>79.61</i>	<i>78.43</i>

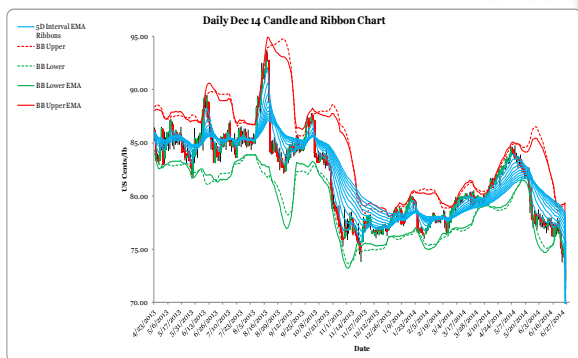
Dec Daily and Weekly Pivot Points							
Daily		Weekly					
Pivot Point(D):	73.96	Pivot Point(W): 75.49					
PPD-S1:	72.85	PPD-R1:	74.62	PPW-S1:	73.07	PPW-R1:	77.26
PPD-S2:	72.19	PPD-R2:	75.73	PPW-S2:	71.30	PPW-R2:	79.68
PPD-S3:	71.08	PPD-R3:	76.39	PPW-S3:	68.88	PPW-R3:	81.45

S = Support Level, R = Resistance Level

The 60-day linear regression channel shows that Dec continues to trade within the lower portion of the channel; the 60-day trend slope remains noticeably negative. Today's settlement was again below the lower Bollinger Band, which evinces the technically oversold condition of the market.



Downward momentum quickened today per the rolling Dec candle and ribbon chart. The 5- – 50-day EMA difference currently stands at (366) vs (320) per the previous trading session.



Conclusion and Outlook

Technical sentiment for Dec remains bearish, although the market is in an oversold condition. Fundamentally, aside from the lack of a strong monsoon formation over India, things are bearish. This is especially so with respect to the US S&D. Given the much higher than expected acreage estimates for this season, we expect the USDA to estimate US production near 16.5M bales on the July WASDE report.

For tomorrow, we calculate an approximate conditional probability of 51% for realizing a settlement that is greater than today's 73.51.

Conditional Probabilities for Daily Hi - Lo - Settle							
Close Down		Close Up		Lo		Hi	
Level	Prob.	Level	Prob.	Level	Prob.	Level	Prob.
Clse. Dn	48.78%	Clse. Up	51.22%	<0, > (50)	100.00%	>0, <50	100.00%
<= (50)	34.15%	>= 50	34.15%	<= (50)	60.98%	>= 50	65.85%
<= (100)	19.51%	>= 100	17.07%	<= (100)	29.27%	>= 100	34.15%
<= (150)	4.88%	>= 150	4.88%	<= (150)	12.20%	>= 150	19.51%
<= (200)	0.00%	>= 200	4.88%	<= (200)	2.44%	>= 200	9.76%
<= (250)	0.00%	>= 250	2.44%	<= (250)	0.00%	>= 250	4.88%
<= (300)	0.00%	>= 300	2.44%	<= (300)	0.00%	>= 300	2.44%
<= (350)	0.00%	>= 350	0.00%	<= (350)	0.00%	>= 350	2.44%
=(400)	0.00%	400	0.00%	(400)	0.00%	400	2.44%

Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	108	100	40	235
Settlement	4	5	-123	262
Low	-53	-50	-180	0
High	63	45	0	300
Settlement (if lower)	-83	-61	-123	-1
Settlement (if higher)	67	56	5	262

Price movements are in relation to latest settlement value

The Table below provides our expected inside and outside daily and weekly range limits for Dec 14.

Dec Daily and Weekly Expected Ranges			
Time Period	Low	High	Settle
Daily Inside:	72.86	74.25	Near Unchgd - Lower
Daily Outside:	72.20	78.50	Near Unchgd - Lower
Weekly Inside:	73.00	76.40	Conditional
Weekly Outside:	72.00	78.00	Conditional

Disclaimer: This publication is presented for informational purposes only. While the information contained herein is believed to be accurate and factual, the possibility of error exists. Hypothetical models have known limitations and may diverge from actual market behavior. Past performance, whether actual or indicated by simulated historical tests of strategies, is not necessarily indicative of future results. Commodity trading is an inherently risky proposition and there is no guarantee that trades based on the information enclosed herein will result in profitable outcomes.

