



# THE ROSE REPORT

Monday, July 28, 2014

## Daily Cotton and Grain Report: Producer Edition

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### Market Recap

Dec picked up 53 points today to settle at 65.88. The settlement was within the upper one half of today's very tight 73 point trading range (65.32 –66.05).

Volume slowed considerably today for Dec while OI expanded slightly to approximately 122K contracts on Fri. Mar gained 60 points today to settle at 66.63; the net effect left the Dec – Mar spread weakened at (75). ICE certificated stocks were reported lower at approximately 165K bales.

CZCE-traded cotton in China settled higher overnight while MCX-traded cotton futures in India closed mostly lower. Spot prices across the globe were generally lower once again.

In outside markets, grains finished the day mixed on the front months while the US currency finished unchanged. Major US indices closed higher while European markets finished lower across the board.

Asian markets finished mostly higher in overnight trading. The energies settled lower while the major metals settled higher.

### News, Weather & Report Results

Temperatures that are cooler than average continue to linger in the near term forecast for most major cotton producing areas within the US. Such appears to have caused this season's crop to once again lag behind the maturity pace set by the 5-year rolling average. Internationally, monsoon showers are intensifying over portions of northwest India.

Nationally, the overall condition of the US crop improved W/W for the week ending July 27 with 54% of this season's crop rated in the combined "good" and "excellent" categories vs 52% last week. The Dow Jones Cotton Crop Condition Index was reported at 98 this week vs 97 last week.

Cotton estimated to currently be setting squares increased 2 percentage points W/W to 87% vs the rolling 5-year average of 89% while cotton estimated to be currently setting bolls advanced 11 percentage points to 49% vs the rolling 5-year average of 51%.

## Technical and Fundamental Analysis

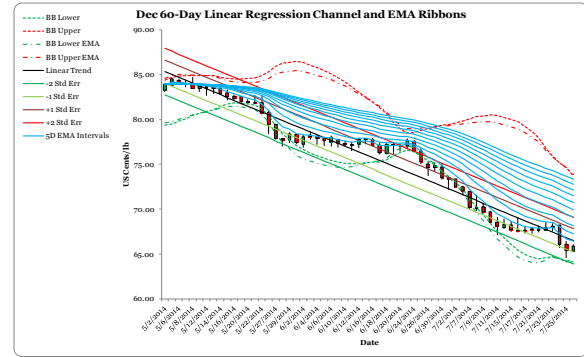
Dec has now lost 1900 points over the last 58 trading days. Dec should commence trading action this evening below its 10-, 20-, 50-, 100- and 200-day SMAs.

<i>Dec Simple and Exponential Moving Averages</i>		
<i>Period</i>	<i>SMAs</i>	<i>EMAs</i>
<b>5D</b>	<b>66.65</b>	<b>66.40</b>
<b>10D</b>	<b>67.17</b>	<b>67.25</b>
<b>20D</b>	<b>68.91</b>	<b>69.07</b>
<b>50D</b>	<b>74.37</b>	<b>73.05</b>
<b>100D</b>	<b>77.84</b>	<b>75.84</b>
<b>200D</b>	<b>78.04</b>	<b>78.24</b>

<i>Dec Daily and Weekly Pivot Points</i>					
<i>Daily</i>			<i>Weekly</i>		
<i>Pivot Point(D):</i>	65.75		<i>Pivot Point(W):</i>	66.14	
<b>PPD-S1:</b>	65.45	<b>PPD-R1:</b>	66.18	<b>PPW-S1:</b>	63.74
<b>PPD-S2:</b>	65.02	<b>PPD-R2:</b>	66.48	<b>PPW-S2:</b>	62.13
<b>PPD-S3:</b>	64.72	<b>PPD-R3:</b>	66.91	<b>PPW-S3:</b>	59.73
				<b>PPW-R1:</b>	67.75
				<b>PPW-R2:</b>	70.15
				<b>PPW-R3:</b>	71.76

*S = Support Level, R = Resistance Level*

The 60-day regression channel shows that the front continues to trade within the lower portion of the channel post the breaking of the recent consolidation pattern. Downward momentum slowed today; the 5- – 50-day EMA difference currently stands at (665) vs (668) per the previous trading session.



For Mon, we calculate a 65% conditional probability for realizing a settlement less than today's. We calculate conditional probabilities of 23% and 46% for moves of 150 and 300, or more, points, respectively, from today's settlement over a 5-day outlook period. Odds of 1.08:1 favor breaks of 150 points over a 5-day outlook period while odds of even were calculated for breaks of 300, or more points vs rallies of the same magnitude. Further, we expect volatility to remain near its current level over a 5-day outlook period.

Technical bias for the front month remains bearish, although indications of the market being oversold are fading. On a daily basis, money flow indicators are no longer in an oversold condition.

Fundamentally, crop progress within the US has improved slightly W/W, although cool weather again has this season's crop lagging a bit behind normal. Internationally, a medley of weather conditions in China has raised some concerns and India's monsoon continues to lag behind normal progress, especially across southern growing regions. Further, spot prices across most world geographies continue to slide further southward. On a positive note, certificated

stocks continue to drop which may mitigate the current bearishness somewhat.

## Conclusion and Outlook

For tomorrow, our directional bias is for near unchanged to lower on the settlement. We expect Dec to trade a range of 65.03 – 66.45 on the inside or 64.50 – 67.00 on the outside.

The table below contains average, median, minimum and maximum gains, losses, and expected daily high, low and settlement values from the most recent settlement based on our proprietary analysis of current market structure.

Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	129	95	35	373
Settlement	-21	-29	-296	127
Low	-73	-52	-300	0
High	71	54	0	256
Settlement (if lower)	-101	-47	-296	-15
Settlement (if higher)	75	85	24	127

*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:	65.03	66.45	Near Unchgd - Lower
Daily Outside:	64.50	67.00	Near Unchgd - Lower
Weekly Inside:	63.00	67.75	Near Unchgd - Lower
Weekly Outside:	62.00	69.00	Near Unchgd - Lower

## Corn

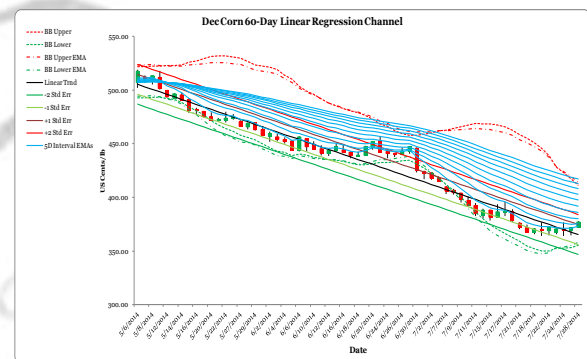
Dec corn picked up 5 cents today to settle at 376¾. Much of today's move higher was attributed to bullish news in the soybean market. Volume slowed while OI continues to expand.

Dry conditions and cooler that average temperatures are expected over the next 5 days for major corn producing areas of the US.

The overall crop condition was rated 75% within the combined "good" and "excellent" categories vs 76% last week. Regarding

maturity, this season's crop continues to be ahead of schedule with corn estimated to be silking advancing 22 percentage points W/W to 78% vs the rolling 5-year average of 75% while the percentage of this season's crop in the dough stage was estimated at 17% vs the rolling 5-year average of 16%.

The overall technical picture for corn remains neutral to bearish while the market's technically oversold condition continues to ease.



Fundamentally, the longer term outlook remains bearish; ethanol margins remain respectable while export inspections were lower W/W at approximately 805K MTs (37M bu). Spreads continue to evince slack interest from the commercial sector ahead of a crop that holds potential to exceed 14M bu.

For tomorrow, we calculate an approximate conditional probability of 51% for realizing a settlement that is greater than today's. Per our proprietary analyses, we calculate a conditional probability of 40% for a directional move of 35, or more, points from the latest settlement over a 5-day outlook period; we calculate odds that are near even for rallies of 35, or more points vs breaks of the same magnitude. We expect volatility to

increase over the same time horizon. For tomorrow, risk to the upside is expected to be nearly equal of that to the downside. Overall, we expect Dec to either trend lower or consolidate over the near term.

The table below contains average, median, minimum and maximum gains, losses, and expected daily high, low and settlement values from the most recent settlement based on our proprietary analysis of current market structure.

Corn Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	14 1/4	11 1/2	3	46 3/4
Settlement	1 3/4	2 1/4	-35	35
Low	-6 3/4	-6	-35	0
High	8 1/4	5 1/2	0	35
Settlement (if lower)	-8 3/4	-6 3/4	-35	-1
Settlement (if higher)	11	7 1/2	2 1/4	35

Price movements are in relation to latest settlement value

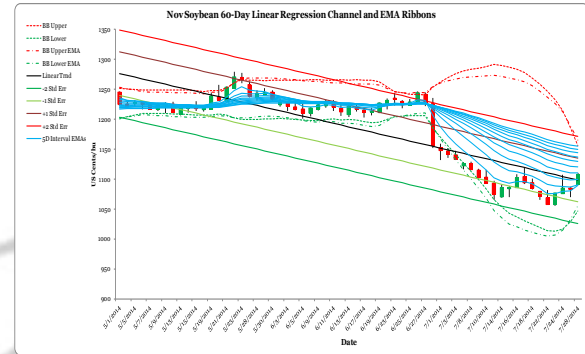
## Soybeans

Nov soybeans surged to a gain on the day of 24 1/4 cents, settling at 1107 3/4 on a weather forecast of generally dry and cool weather over the Midwestern US and continued export demand from China. Volume quickened considerably today while OI was near unchanged for the Nov contract.

USDA announced new crop export sales of 420K MTs (15.4M bu) into China this morning with another 66K MTs (2.4M bu) of sales into China for optional origination. Export inspections of approximately 112K MTs (4.4M bu) were considered to be neutral while last week's revised export inspections of 4.1M bu were on the high end of market expectations.

Technically, the daily outlook for Nov soybeans has turned bullish, with most momentum indicators registering either buy or overbought signals. Money flow indicators are also no longer registering oversold on a daily basis.

Fundamentally, the overall sentiment remains bearish with expected record production in the US remaining on track despite a generally dry forecast over major US soybean producing regions over the coming 5 days.



For tomorrow, we calculate an approximate conditional probability of 55% for realizing a settlement that is less than today's. Per our proprietary analyses, we calculate a conditional probability of 67% for a directional move of 50, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 1.67:1 in favor of breaks of 50, or more points vs rallies of the same magnitude. We expect volatility to increase slightly over the same time horizon. For tomorrow, risk to the upside is expected to be nearly equal that to the downside.

The table below contains average, median, minimum and maximum gains, losses, and expected daily high, low and settlement values from the most recent settlement based on our proprietary analysis of current market structure.

Soybean Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	23 3/4	20 1/4	#NUM!	72 3/4
Settlement	-1 1/2	-1 3/4	-52	67 1/2
Low	-14 1/4	-10	-64	0
High	11 1/2	6 3/4	0	100
Settlement (if lower)	-16 1/2	-15 1/4	-52	-1 3/4
Settlement (if higher)	16 1/4	15 1/4	5	67 1/2

Price movements are in relation to latest settlement value

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