

THE ROSE REPORT

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Daily Cotton and Grain Report: Producer Edition

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Market Recap

Dec continued its trend lower today, giving up 87 points to settle at 65.01, its lowest close since Oct, 2009. The settlement was within the lower one half of today's 139 point trading range (64.60 – 65.99).

Volume quickened today for Dec while OI expanded to approximately 123K contracts on Mon. Mar gave back 72 points today to settle at 65.91; the net effect left the Dec – Mar spread weakened at (90). ICE certificated stocks were reported lower at approximately 157K bales.

CZCE-traded cotton in China settled higher overnight while MCX-traded cotton futures in India closed lower. Spot prices across most world geographies continued to work lower, although most Indian spot quotes were near unchanged and the US low quote was slightly higher D/D.

In outside markets, grains finished the day lower on the front months while US currency finished higher. Major US indices closed lower while European and Asian markets finished mostly higher today and in overnight trading, respectively. The energies settled higher while the major metals settled lower.

News, Weather & Report Results

Showers are again occurring over W TX cotton fields while cooler than average temperatures persist over much of the mid-southern and southeastern states.

In economic news, chain store sales were flat W/W for the week ending July 23 while also increasing 4.6% Y/Y. Further, US consumers express greater confidence in the US economy for July vs June via the Conference Board's monthly survey; consumer confidence was indexed at 90.9

for July vs the June index value of 86.4 and the pre-report expectation of 85.3.

Technical and Fundamental Analysis

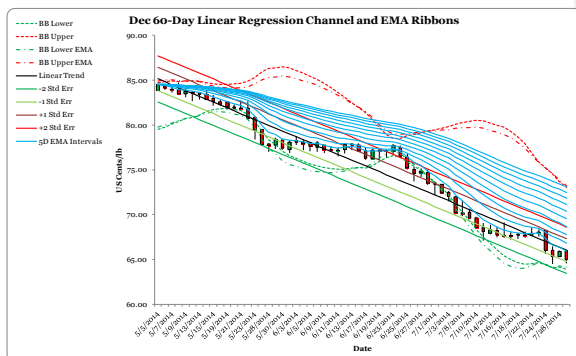
Dec has now lost 1987 points over the last 59 trading days. Dec should commence trading action this evening below its 5-, 10-, 20-, 50-, 100- and 200-day SMAs.

Dec Simple and Exponential Moving Averages		
Period	SMAs	EMAs
5D	66.07	65.94
10D	66.90	66.84
20D	68.48	68.69
50D	74.03	72.73
100D	77.70	75.62
200D	77.94	78.23

Dec Daily and Weekly Pivot Points			
Daily		Weekly	
Pivot Point(D):	65.20	Pivot Point(W):	66.14
PPD-S1:	64.41	PPD-R1:	65.80
PPD-S2:	63.81	PPD-R2:	66.59
PPD-S3:	63.02	PPD-R3:	67.19
PPW-S1:	63.74	PPW-R1:	67.75
PPW-S2:	62.13	PPW-R2:	70.15
PPW-S3:	59.73	PPW-R3:	71.76

S = Support Level, R = Resistance Level

The 60-day regression channel shows that Dec continues to trade within the lower portion of the channel post the breaking of the recent consolidation pattern. Downward momentum quickened today; the 5- – 50-day EMA difference currently stands at (679) vs (665) per the previous trading session.



For Mon, we calculate a 58% conditional probability for realizing a settlement less than today's. We calculate conditional probabilities of 23% and 38% for moves of 150 and 300, or more, points, respectively, from today's settlement over a 5-day outlook period. Odds of 1.25:1 favor rallies of 150 points over a 5-day outlook period while odds of 2:1 were calculated for rallies of 300, or more points vs breaks of the same magnitude. Further, we expect volatility to decrease over a 5-day outlook period.

Technical bias for the front month remains bearish. Dec has again settled below all of its major SMAs.

Fundamentally, showers have again occurred over W TX cotton fields, prompting some private estimates of 2014 TX production to be raised to a range of 7.2M – 7.6M bales with accompanying US production estimates of 17.2M bales and higher. World cash prices, across most locations, continued their trend lower today while increased value of US currency will likely not provide a bullish boost to the market. Internationally, although this season's monsoon progress over India may be slow, more area is expected to be sown to cotton as producers reduced areas sown to oilseeds.

On a positive note, ICE certificated stocks continue to be reduced D/D.

Short-covering could occur tomorrow ahead of the USDA's weekly cotton export report.

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 64.40 – 65.75 on the inside or 63.95 – 66.50 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	102	87	40	303
Settlement	7	9	-200	187
Low	-48	-33	-243	0
High	60	52	0	300
Settlement (if lower)	-73	-51	-200	-1
Settlement (if higher)	53	41	8	187

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.

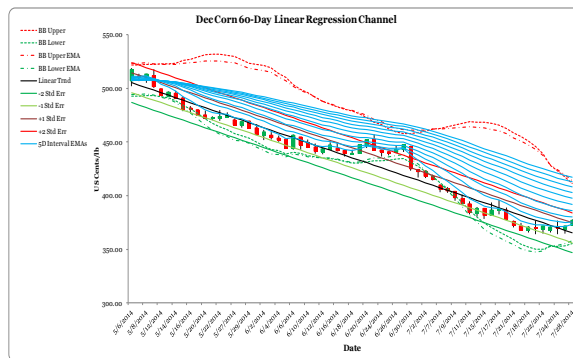
Dec Daily and Weekly Expected Ranges			
Time Period	Low	High	Settle
Daily Inside:	64.40	65.75	Near Unchgd - Lower
Daily Outside:	63.95	66.50	Near Unchgd - Lower
Weekly Inside:	63.00	67.75	Near Unchgd - Lower
Weekly Outside:	62.00	69.00	Near Unchgd - Lower

Corn

Dec corn gave up 5³/₄ cents today to settle at 371. Volume quickened considerably while OI expanded slightly for the Dec contract.

Dec moved lower, largely on continued mild weather conditions over the US Corn Belt and increasing value of US currency despite reported new crop export sales of 147K MTs (6.75M bu) into Columbia.

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



Fundamentally, the longer term outlook remains bearish with the pollination phase of plant development coming to an end. Further, spread activity continues to evince slack interest from the commercial sector.

For tomorrow, we calculate an approximate conditional probability of 58% for realizing a settlement that is less than today's. Per our proprietary analyses, we calculate a conditional probability of 22% for a directional move of 35, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 1.14:1 in favor of breaks of 35, or more points vs rallies of the same magnitude. We expect volatility to remain near its current level over the same time horizon. For tomorrow, risk to the upside is expected to be less than 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

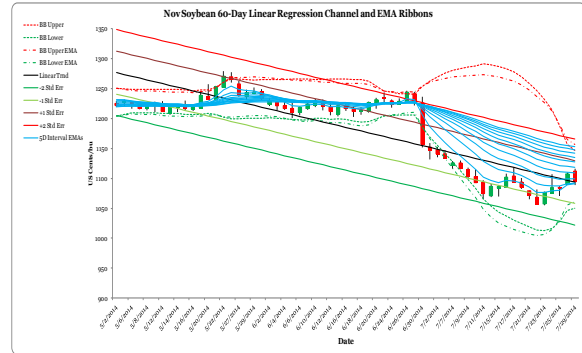
Soybeans

Nov soybeans gave back 12¾ cents today, settling at 1095. Volume quickened today while OI contracted slightly for the Nov contract.

USDA announced new crop export sales of 135K MTs of soybean cake and meal into unknown destinations this morning. Further, Brazilian export prices continue to run 45 – 60 cents higher than US export prices, which is likely fueling strong export interest from China. Both of these were likely supportive factors for the Nov contract today.

Technically, the daily outlook for Nov soybeans continues to be somewhat bullish, with most momentum indicators registering either buy or overbought signals.

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; increased chances for precipitation appeared in the 10-day forecast for the mid-western US today. Still, with such a large percentage of the US crop in its crucial pod setting phase, some amount of weather premium will likely remain in the market over the near term, at least.



For tomorrow, we calculate an approximate conditional probability of 56% for realizing a settlement that is greater than today's. Per our proprietary analyses, we calculate a conditional probability of 68% for a directional move of 50, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 1.1:1 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 somewhat less than 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	25 3/4	22 3/4	3 1/4	57 1/4
Settlement	2 1/2	3 3/4	-56 3/4	60
Low	-12 1/4	-10 1/2	-56 3/4	0
High	15 1/4	8	0	77 1/2
Settlement (if lower)	-19 1/4	-17 1/2	-56 3/4	-8 1/4
Settlement (if higher)	17	12 1/4	3 1/4	60

Price movements are in relation to latest settlement value

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