



THE ROSE REPORT

Wednesday, July 30, 2014

Daily Cotton and Grain Report: Producer Edition

This publication constitutes copyrighted material and contains proprietary information and information derived from proprietary analytical procedures and tools. It is intended exclusively as information for and use by the subscribing party. Reproduction or redistribution of material contained herein in any manner, either in part or in whole, without prior written consent from "The Rose Report" is expressly prohibited.

Market Recap

Dec continued its trend lower today, giving up 101 points to settle at 64.00, a new low settlement for the current downtrend. The settlement was within the lower one quarter of today's 149 point trading range (63.76 – 65.25).

Volume quickened today for Dec while OI was nearly unchanged at 124K contracts on Tue. Mar gave back 107 points today to settle at 64.84; the net effect left the Dec – Mar spread near unchanged at (84). ICE certificated stocks were reported lower at approximately 146K bales.

CZCE-traded cotton in China settled mixed overnight while MCX-traded cotton futures in India settled mixed. Spot prices across most world geographies were neutral to somewhat lower, with Australian prices continuing their recent precipitous decline (Table 1).

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

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. Rain and thundershowers are expected to occur this evening and tomorrow over northern portions of the mid-southern states.

Internationally, weather remains unfavorably cool over northwest regions of China while dry weather is reported to be having adverse affects on the crop in portions of the North China Plain; in other

areas of northern China, recent flooding has also reported been an issue. In India, monsoon rains are increasing over producing areas of the northwestern and central western states while dryness continues to be a problem over southernmost areas.

In economic news, the US economy added 218K positions in July, according to the latest ADP Employment Change report. The estimate for July was significantly lower than the estimate for June of 281K and modestly lower than the pre-report expectation of 230K. GDP growth in the US for Q2 was reported at 4.0%, significantly greater than both the pre-report expectation of 2.9% and the estimate from Q1 of (2.1%).

Internationally, consumer and business confidence surveys within the EU for July were indexed at values lower vs those for June as well as published pre-report expectations. However, surveys for industrial and economic sentiment yielded index values for July that were slightly higher M/M and slightly greater than pre-report expectations.

Trade expectations for US new crop export sales for the week ending July 24 are generally lower in reference to the past two sales periods, in which an average of approximately 350K RBs of new crop sales per week have been sold.

The volume weighted average price of the survey period to be reported upon tomorrow is at an approximate 100 point discount vs the period ending July 17 while the average low price for the period ending July 24 is at

an approximate 100 point discount vs the previous sales period. Further, the US low quote was firm over the sales period ending July 24 within a range of 86.00 – 86.25. Hence, we expect export sales to again be strong.

Technical and Fundamental Analysis

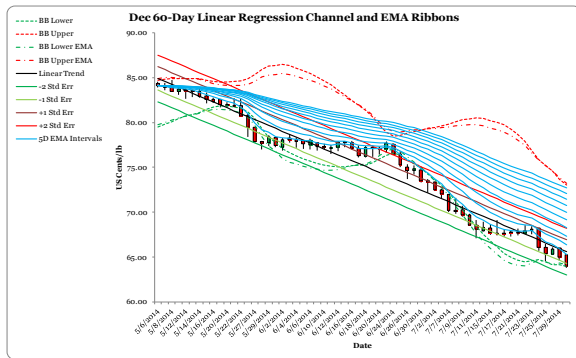
Dec has now lost 2088 points over the last 60 trading days. Dec should commence trading action this evening below its 5-, 10-, 20-, 50-, 100- and 200-day SMAs.

<i>Dec Simple and Exponential Moving Averages</i>		
<i>Period</i>	<i>SMAs</i>	<i>EMAs</i>
<i>5D</i>	65.26	65.29
<i>10D</i>	66.54	66.33
<i>20D</i>	68.01	68.24
<i>50D</i>	73.67	72.39
<i>100D</i>	77.54	75.39
<i>200D</i>	77.85	78.22

<i>Dec Daily and Weekly Pivot Points</i>					
<i>Daily</i>			<i>Weekly</i>		
<i>Pivot Point(D):</i>	64.34		<i>Pivot Point(W):</i>	66.14	
<i>PPD-S1:</i>	63.42	<i>PPD-R1:</i>	64.91	<i>PPW-S1:</i>	63.74
<i>PPD-S2:</i>	62.85	<i>PPD-R2:</i>	65.83	<i>PPW-S2:</i>	62.13
<i>PPD-S3:</i>	61.93	<i>PPD-R3:</i>	66.40	<i>PPW-S3:</i>	59.73
				<i>PPW-R3:</i>	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 (710) vs (679) per the previous trading session.



For tomorrow, we calculate conditional probabilities of 26% and 84% for moves of 150 and 300, or more, points, respectively, from today's settlement over a 5-day outlook period. Odds of 1.14:1 favor rallies of 150 points over a 5-day outlook period while odds of 1.67:1 were calculated for rallies of 300, or more points vs breaks 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 with the market currently oversold. Dec continues to settle below all of its major SMAs.

Fundamentally, showers have again occurred over W TX cotton fields and are expected to occur through tomorrow. Areas of the north delta states also are scheduled to receive rainfall this evening through tomorrow. Recent strength in US currency will likely not accommodate a move higher over the near term. On a positive note, ICE certificated stocks continue to decline.

Conclusion and Outlook

For tomorrow, we will be directionally bullish, with respect to today's settlement, if total net new crop sales are near to, or greater than, 500K RBs *and* if total export shipments are very near to, or greater than, 150K RBs. We will be directionally bearish if total new crop sales are near to, or less than, 250K RBs and we will be neutral for the middle ground.

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	114	106	40	235
Settlement	5	-1	-143	262
Low	-59	-53	-180	0
High	64	41	0	300
Settlement (if lower)	-81	-57	-143	-1
Settlement (if higher)	75	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.

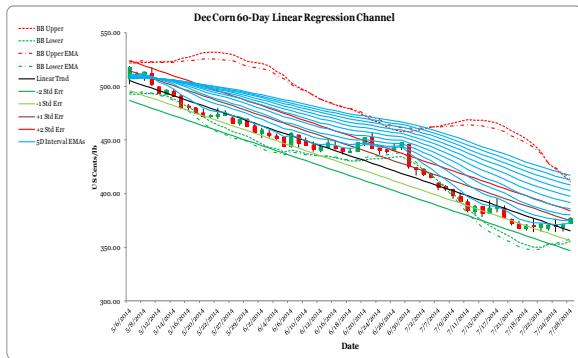
Dec Daily and Weekly Expected Ranges			
Time Period	Low	High	Settle
Daily Inside:	63.40	64.90	Conditional
Daily Outside:	62.00	66.00	Conditional
Weekly Inside:	63.00	67.75	Near Unchgd - Lower
Weekly Outside:	62.00	69.00	Near Unchgd - Lower

Corn

Dec corn picked up ½ cent today to settle at 371½. Volume quickened while OI continues to expand for the Dec contract.

Despite relatively dry weather across the US Corn Belt, the market continues to look bearish as mild temperatures mitigate concerns about recent short precipitation.

The overall technical picture for corn remains neutral to bearish on a daily basis with the market remaining technically oversold on a weekly basis.



Fundamentally, the longer term outlook remains bearish with private estimates of aggregate US yield being reported as high as 170 bu/acre vs the USDA's latest yield projection of 165 bu/acre. Further, the national average basis remains bearish at approximately 20 cents under. Ethanol margins have continued to be considered supportive; however, the latest EIA report listed higher stocks as a result of lower production and lighter blending.

For tomorrow, we calculate an approximate conditional probability of 57% for realizing a settlement that is greater than today's. Per our proprietary analyses, we calculate a conditional probability of 27% for a directional move of 35, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 1.17:1 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 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 3/4	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

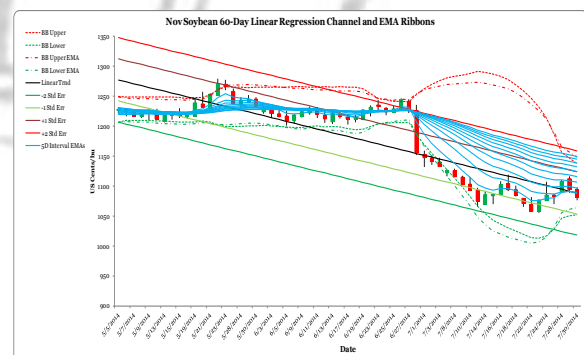
Price movements are in relation to latest settlement value

Soybeans

Nov soybeans lost 13 3/4 cents today, settling at 1081 1/4. Volume slowed today while OI contracted for the Nov contract.

Technically, the daily outlook for Nov soybeans is turning neutral to bearish on a daily basis, with some momentum indicators registering overbought signals.

Fundamentally, the overall sentiment remains bearish with expected record production in the US remaining on track. Spread activity continues to suggest new commercial selling.



For tomorrow, we calculate an approximate conditional probability of 64% for realizing a settlement that is greater than today's. Per our proprietary analyses, we calculate a conditional probability of 58% for a directional move of 50, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 2.3:1 in favor

of rallies of 50, or more points vs breaks of the same magnitude. We expect volatility to decrease 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	19 3/4	2	66 1/2
Settlement	3 1/4	5 3/4	-100	96 1/2
Low	-12 1/4	-4 3/4	-100	0
High	16 1/4	13 3/4	0	100
Settlement (if lower)	-20	-12 1/2	-100	-4 3/4
Settlement (if higher)	15 3/4	11 1/2	2 1/2	96 1/2

Price movements are in relation to latest settlement value

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.