



THE ROSE REPORT

Thursday, July 31, 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 plunged again today, post the dissemination of a US export report that showed slowing demand for US stocks as prices trend lower, to settle at 62.87. Dec posted new contract and settlement lows again today. The settlement was within the lower one half of today's 168 point trading range (62.32 – 64.00), which was entirely to the south of yesterday's settlement.

Volume quickened considerably today for Dec while OI contracted to approximately 122K contracts on Wed. Mar lost 133 points today to settle at 63.51; the net effect left the Dec – Mar spread strengthened at (64). ICE certificated stocks were reported lower at approximately 137K bales.

CZCE-traded cotton in China settled mixed overnight while MCX-traded cotton futures in India settled higher. Spot prices across most world geographies were again neutral

to somewhat lower; the US low quote was off 100 points today at 82.25.

In outside markets, grains finished the day mixed on the front months while the US Dollar Index finished near unchanged. Major US indices closed mixed today. Major European indices finished lower across the board while Asian markets finished mixed in overnight trading. The energies settled mostly lower today while the major metals settled lower across the board.

News, Weather & Report Results

Showers occurred over cotton fields in W TX, OK and NM yesterday while light, scattered showers occurred today over the north delta region. Internationally, in India, recent monsoon rains over central western growing regions have all but erased this season's initial moisture deficit; however, it

remains to be seen how much delayed sowing will affect final yields.

In economic news, both initial and continuing jobless claims within the US were reported significantly higher W/W. In the EU, the unemployment rate for June was reported near unchanged M/M at 11.5% vs the estimate of 11.6% for May. The inflation rate was estimated at 0.4% Y/Y for the period ending July, 2014 vs 0.5% for the period ending June, 2014.

USDA-FAS reported total net sales of 5.7K RBs and total exports of 120.6K RBs against the current MY for the week ending July 24. Both figures were higher vs last week. Sales cancellations were reported at 3.3K RBs.

Total net sales against the 2014/15 MY were significantly lower W/W at 254.7K RBs and now stand at 42% of the USDA's projected 10.3M bale export projection when adding the difference between 2013/14 total commitments and projected exports to 2014/15 sales.

A 3.5% reduction of on-call sales against combined contracts within the 2014/15 MY was reported for the week ending July 25. The largest portion of the W/W reduction was in the Dec contract, which seems to evince fixations as prices move lower. Producers remained largely inactive W/W.

Technical and Fundamental Analysis

Dec has now lost 2221 points over the last 61 trading days and 521 points over the 6 most recent trading days. Dec should commence trading action this evening below

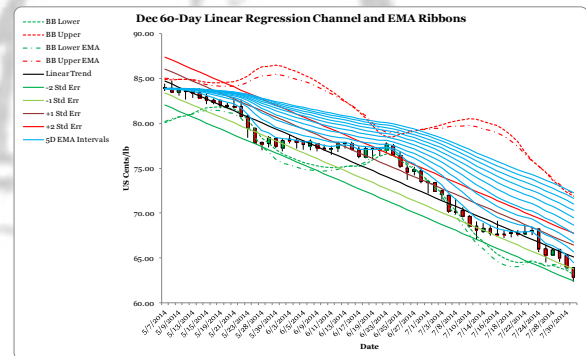
its 5-, 10-, 20-, 50-, 100- and 200-day SMAs.

Dec Simple and Exponential Moving Averages		
Period	SMAs	EMAs
5D	64.62	64.49
10D	66.06	65.70
20D	67.53	67.73
50D	73.28	72.02
100D	77.38	75.15
200D	77.75	78.20

Dec Daily and Weekly Pivot Points					
Daily		Weekly			
Pivot Point(D):	63.06	Pivot Point(W):	66.14		
PPD-S1:	62.13	PPD-R1:	63.81	PPW-R1:	67.75
PPD-S2:	61.38	PPD-R2:	64.74	PPW-R2:	70.15
PPD-S3:	60.45	PPD-R3:	65.49	PPW-R3:	71.76

S = Support Level, R = Resistance Level

The 60-day regression channel shows that the front month is now trading near the bottom of the channel. Downward momentum quickened today; the 5- – 50-day EMA difference currently stands at (753) vs (710) per the previous trading session.



For tomorrow, we calculate conditional probabilities of 38% and 79% for moves of 150 and 300, or more, points, respectively, from today's settlement over a 5-day outlook period. Odds of even were calculated for rallies vs breaks of 150 points over a 5-day outlook period while odds of 1.75:1 favor rallies of 300, or more points vs breaks of the same magnitude. Further, we

expect volatility to decrease somewhat over a 5-day outlook period.

Technical bias for the front month remains bearish and is largely unchanged from yesterday. Dec settled below its lower Bollinger Band, which is bearish. And, of course, the making of new contract (both intraday and settlement) lows is anything but bullish.

Fundamentally, new crop export sales were lower W/W, despite lower trending prices. However, the US has sold 1.2M new crop bales over the last 4 weeks and, when considering old crop sales likely to be rolled to 2014/15, the US is approximately 42% committed against the USDA's 10.3M bale export projection. Further, ICE certificated stocks continue to decline D/D. Still, cash prices continue to trend lower across the world, which does not speak well of mill demand at current price levels. Continued strength in US currency will likely to be friendly to Dec futures.

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 62.15 – 63.49 on the inside or 61.40 – 64.49 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	105	90	40	285
Settlement	22	30	-200	262
Low	-41	-20	-200	0
High	80	60	0	300
Settlement (if lower)	-91	-54	-200	-5
Settlement (if higher)	85	56	8	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.

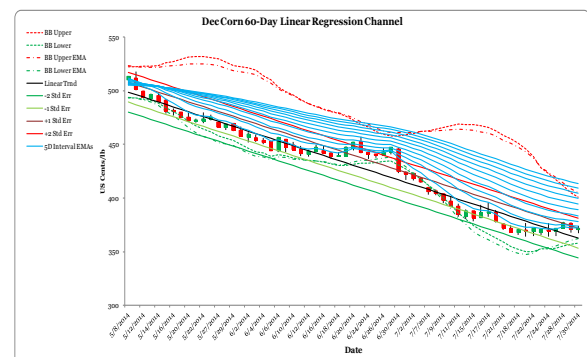
Dec Daily and Weekly Expected Ranges			
Time Period	Low	High	Settle
Daily Inside:	62.15	63.49	Near Unchgd - Lower
Daily Outside:	61.40	64.49	Near Unchgd - Lower
Weekly Inside:	63.00	67.75	Near Unchgd - Lower
Weekly Outside:	62.00	69.00	Near Unchgd - Lower

Corn

Dec corn picked up 4½ cent today to settle at 367. Volume slowed considerably today while OI contracted slightly for the Dec contract.

Weather across the US Corn Belt remains somewhat dry, but temperatures remain favorable for both pollination and filling; across the southern US, weather conditions remain favorable to optimal for filling. Internationally, weather remains favor over major EU growing areas for filling while dryness and localized flooding are issues across northern China. In South America, weather remains favorable for harvest in Brazil, but shower activity continues to hinder the harvest in Argentina.

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



Fundamentally, old crop exports continue on pace to fall short of the USDA's latest export projection by approximately 50M bu; new crop export sales for the week ending July 24 were reported at 43M bu. Further, the International Grains Council has increased its estimate of 2014/15 world ending stocks to 187M MTs (8.6B bu) from their previous estimate of 169M MTs (7.8B bu). Continued strength in US currency will likely to be friendly to Dec futures.

For tomorrow, we calculate an approximate conditional probability of 50% for realizing a settlement that is less than today's. Per our proprietary analyses, we calculate a conditional probability of 26% for a directional move of 35, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 2:1 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	11 1/2	9	1 3/4	39 3/4
Settlement	-2 1/2	3/4	-35	17
Low	-7 1/2	-4 3/4	-35	0
High	4 3/4	3 1/2	0	19 1/2
Settlement (if lower)	-11 3/4	-7 3/4	-35	-1
Settlement (if higher)	6	4 1/2	1 1/2	17

Price movements are in relation to latest settlement value

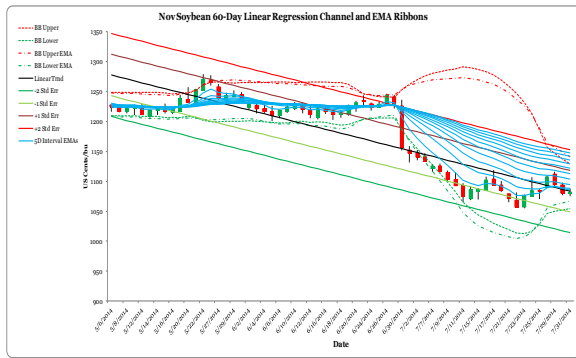
Soybeans

Nov soybeans picked up 3/4 cent today, settling at 1082. Volume quickened a bit today while OI was near unchanged for the Nov contract.

Weather across the Midwestern states remains dry, but temperatures remain mild; across the southern states, weather remains favorable to optimal for plant reproductive development. Internationally, dryness across northern China is reported to be causing some stress to this season's crop while this season's delayed monsoon progress in India has delayed this season's crop development and has reportedly resulted in reduced area sown to soybeans.

Technically, the daily outlook for Nov soybeans is turning bearish again; on both a weekly and monthly basis, the market remains technically weak and oversold.

Fundamentally, high Brazilian export prices are likely to keep export interest active for new crop US soybeans; new crop sales of 46.6M bu for the week ending July 24 have pushed exports to 35% of the USDA's latest export projection. On the negative side, at this time, the US remains on track to post record production for 2014. Continued strength in US currency will likely to be friendly to Nov futures.



For tomorrow, we calculate an approximate conditional probability of 50% for realizing a settlement that is greater than today's. Per our proprietary analyses, we calculate a conditional probability of 50% for a directional move of 50, or more, points from the latest settlement over a 5-day outlook period; we calculate odds of 2.2:1 in favor of rallies of 50, or more points vs breaks of the same magnitude. We expect volatility to increase somewhat over the same time horizon. For tomorrow, risk to the upside is expected to be less than that to the downside. Further, we expect Nov soybeans to trend lower or consolidate over the near to medium 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.

Soybean Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	25	23 1/2	9 3/4	57 3/4
Settlement	-3/4	1	-84	55
Low	-14 1/4	-10 1/4	-86	0
High	13 3/4	7 1/4	0	81 3/4
Settlement (if lower)	-18	-18	-84	-1
Settlement (if higher)	15	11 3/4	2 1/2	55

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.

