THE ROSE REPORT

Tuesday, September 30, 2014

Daily Cotton Brief

Overview

The following analyses are based, in large part, on proprietary technical procedures developed by our firm. The results of analyses provided herein involve the use of a multi-decade series of rolling front month futures data.

Executive Summary:

Dec gave up 10 points today to settle at 61.37. Gaps remain above the market at 67.88 – 68.00 and 77.80 – 78.00. The settlement was within the lower one half of today's 106 point trading range. Mar lost 62 points, settling at 60.45; the net effect left the Dec – Mar spread strengthened considerably at 92.

Fundamentally, little fresh fundamental news was made available to the market today, and the market reflected such in what was, basically, directionless trading action. Weather over most of the cotton producing US continues to improve and, over many locales, has been near optimum over the recent few days.

The standard technical bias for the front month remains bearish with downside momentum continuing to quicken.

Technically, our proprietary analysis suggests that Dec retains downside potential, but also suggests that the market may well consolidate a bit longer. Technically, odds slightly favor rallies vs breaks of 100 - 300 points over a 5-day outlook period. We further expect volatility to remain near its recent level over a 5-day outlook period. Our daily technical analysis suggests that risk to the upside is nearly equal of that to the downside.

Our daily directional bias is for near unchanged to lower on the settlement. We expect Dec to trade a range of 60.90 – 62.00 on the inside or 60.20 – 62.50 on the outside.

With harvest pressure expected to increase over the near-term, we see little upside potential for Dec futures.

The table below provides odds of realizing breaks or rallies of 150 and 300 points over a 5-day outlook period.

Cotton Conditional Odds of Breaks/Rallies - 5-D Outlook			
Magnitue of Move	*Prob*	*Odds Break*	*Odds Rally*
150 Points	70%	-	-
300 Points	26%	1.33:1	-

Cotton Daily Candle and Ribbon Chart
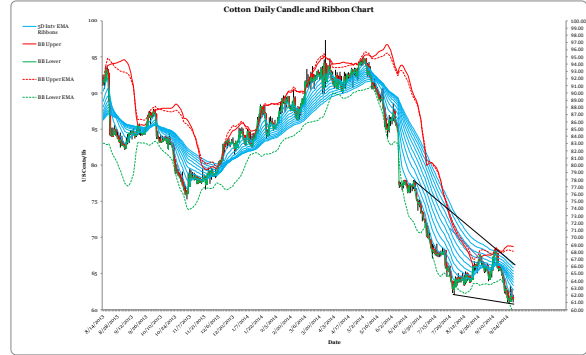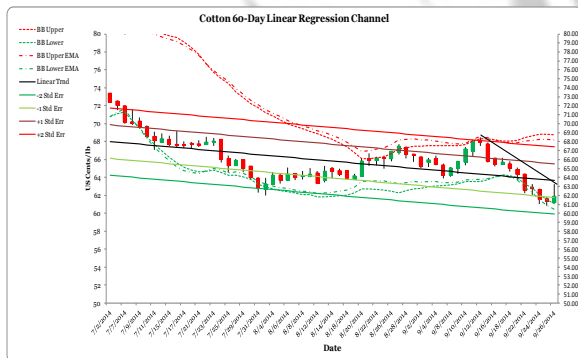
Buy/Sell Recommendation:

Day trades:

- Short: 62.00 – 62.50
- Long: None

Producer selling:

- At this time, any rallies near to, or above, the 64.00 should be considered selling opportunities

Charts:

Cotton 60-Day Linear Regression Channel

Moving Averages and Pivot Points:

Cotton Simple and Exponential Moving Averages		
Period	*SMAs*	*EMAs*
5D	*61.54*	*61.82*
10D	*62.82*	*62.69*
20D	*64.47*	*63.79*
50D	*64.90*	*66.23*
100D	*72.00*	*70.90*
200D	*80.38*	*76.13*

Cotton Daily and Weekly Pivot Points					
Daily			*Weekly*		
Pivot Point(D):		61.48	Pivot Point(W):		62.37
PPD-S1:	60.90	PPD-R1: 61.96	PPW-S1: 60.35	PPW-R1:	63.92
PPD-S2:	60.42	PPD-R2: 62.54	PPW-S2: 58.80	PPW-R2:	65.94
PPD-S3:	59.84	PPD-R3: 63.02	PPW-S3: 56.78	PPW-R3:	67.49
S = Support Level, R = Resistance Level					

Support and Resistance:

The table below shows levels of support and resistance ($S_1 - S_6$, $R_1 - R_6$) per levels of recent historic daily high and low values, as well as the latest settlement and subsequent session limits in relation to these values.

Cotton Recent Historical Hi-Lo Support and Resistance	
Hi-Lo R1	95.10
Hi-Lo R2	88.60
Hi-Lo S6	83.86
Hi-Lo R3	77.95
Hi-Lo S5	76.10
Hi-Lo R6	68.48
Hi-Lo R5	67.72
Hi-Lo S4	67.10
Hi-Lo R4	65.27
Lmt. Up	64.37
Hi-Lo S1	63.93
Hi-Lo S2	63.29
Hi-Lo S3	62.02
Settlement	61.37
Lmt. Down	58.37

The following table provides a linear series of shorter-term through longer-term support and resistance levels as well as major trading points for the most recent trading day and week for the front month.

Cotton Comprehensive Linear Support-Resistance Levels	
Support/Resistance Metric	Market Level
Hi-Lo R1	95.10
Hi-Lo R2	88.60
Hi-Lo S6	83.86
200D SMA	80.38
Hi-Lo R3	77.95
200D EMA	76.13
Hi-Lo S5	76.10
100D SMA	72.00
100D EMA	70.90
Bol Band Upper	68.76
Hi-Lo R6	68.48
Hi-Lo R5	67.72
Weekly Pivot Point-R3	67.49
Hi-Lo S4	67.10
50D EMA	66.23
Weekly Pivot Point-R2	65.94
Hi-Lo R4	65.27
50D SMA	64.90
20D SMA	64.47
Previous Weekly High	64.40
Lmt. Up	64.37
Hi-Lo S1	63.93
Weekly Pivot Point-R1	63.92
20D EMA	63.79
Hi-Lo S2	63.29
Pivot Point-R3	63.02
10D SMA	62.82
10D EMA	62.69
Pivot Point-R2	62.54
Weekly Pivot Point	62.37
Daily High	62.07
Hi-Lo S3	62.02
Pivot Point-R1	61.96
Previous Weekly Settlement	61.89
5D EMA	61.82
5D SMA	61.54
Pivot Point	61.48
Settlement	61.37
Daily Low	61.01
Pivot Point -S1	60.90
Previous Weekly Low	60.83
Pivot Point -S2	60.42
Weekly Pivot Point-S1	60.35
Bol Band Lower	60.18
Pivot Point -S3	59.84
Weekly Pivot Point-S2	58.80
Lmt. Down	58.37
Weekly Pivot Point-S3	56.78

Directional and Range Distribution Analysis:

The table below shows the conditional probability of realizing either a close higher or lower than the latest settlement, as well as the conditional probabilities associated with varying magnitudes of D/D gains or losses. The table further shows the conditional probability of realizing intraday high and low values of varying magnitudes.

Cotton Conditional Probabilities for Daily Hi – Lo - Settle							
Close Down		**Close Up**		**Lo**		**Hi**	
Level	Prob.	Level	Prob.	Level	Prob.	Level	Prob.
Clse. Dn	55.56%	Clse. Up	44.44%	<0, > (38)	100.00%	>0, <38	100.00%
<= (38)	33.33%	>= 38	33.33%	<= (38)	40.74%	>= 38	48.15%
<= (75)	11.11%	>= 75	22.22%	<= (75)	11.11%	>= 75	33.33%
<= (113)	11.11%	>= 113	7.41%	<= (113)	11.11%	>= 113	22.22%
<= (150)	7.41%	>= 150	0.00%	<= (150)	7.41%	>= 150	11.11%
<= (188)	0.00%	>= 188	0.00%	<= (188)	3.70%	>= 188	7.41%
<= (225)	0.00%	>= 225	0.00%	<= (225)	0.00%	>= 225	3.70%
<= (263)	0.00%	>= 263	0.00%	<= (263)	0.00%	>= 263	3.70%
(300)	0.00%	300	0.00%	(300)	0.00%	300	3.70%

The following table 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.

Cotton Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	97	80	35	296
Settlement	-2	-9	-185	117
Low	-43	-29	-206	0
High	64	35	0	300
Settlement (if lower)	-81	-55	-185	-2
Settlement (if higher)	72	73	17	117
Price movments are in relation to latest settlement value				

The following table provides the conditional probabilities of surpassing minimum low and maximum high values for a 5-day look back period with a 5-day period forward.

Cotton Conditional Probability of Surpassing Recent Highs and Lows			
Period	Price	Period	Prob
Min Low 5-D Lookback	60.83	5-D Forward Below	81%
Max High 5-D Lookback	63.25	5-D Forward Above	19%

The following table provides probabilities from our proprietary analyses for the 1- through 5-day period beyond the current day, in which the conditional probabilities of realizing daily high, low and settlement values, relative to the most recent settlement (greater than or less than) are assayed.

Cotton Conditional Probability for High - Low - Settlement 1 -5 Days Forward						
Days	Prob S < CS	Prob S > CS	Prob L < CL	Prob L > CL	Prob H < CH	Prob H > CH
Day 1	55.56%	44.44%	40.74%	59.26%	55.56%	44.44%
Day 2	44.44%	55.56%	40.74%	59.26%	44.44%	55.56%
Day 3	59.26%	40.74%	62.96%	37.04%	55.56%	44.44%
Day 4	66.67%	33.33%	62.96%	37.04%	62.96%	37.04%
Day 5	62.96%	37.04%	59.26%	40.74%	66.67%	33.33%
S = settle, L = low, H = high, CS= current settle, CL = current low, CH = current high						

The following tables relay conditional probabilities for a 5-day forward period in which daily high, low and settlement values are either lower or higher D/D as the 5-day period progresses.

Cotton Conditional Probability New Trend Establishment - Down					
Days Forward	Prob S	Days Forward	Prob L	Days Forward	Prob H
1>CS	55.56%	1>CL	40.74%	1>CH	55.56%
2D>1D, CS	40.00%	2D>1D, CL	63.64%	2D>1D, CH	46.67%
3D>2D, 1D, CS	26.67%	3D>2D, 1D, CL	27.27%	3D>2D, 1D, CH	33.33%
4D>3D, 2D, 1DS	6.67%	4D>3D, 2D, 1D, CL	9.09%	4D>3D, 2D, 1D, CH	6.67%
5D>4D, 3D, 2D, 1D, CS	6.67%	5D>4D, 3D, 2D, 1D, CL	9.09%	5D>4D, 3D, 2D, 1D, CH	6.67%
S = settle, L = low, H = high, CS= current settle, CL = current low, CH = current high					

Cotton Conditional Probability New Trend Establishment - Up					
Days Forward	Prob S	Days Forward	Prob L	Days Forward	Prob H
1>CS	44.44%	1>CL	59.26%	1>CH	44.44%
2D>1D, CS	66.67%	2D>1D, CL	62.50%	2D>1D, CH	66.67%
3D>2D, 1D, CS	25.00%	3D>2D, 1D, CL	37.50%	3D>2D, 1D, CH	16.67%
4D>3D, 2D, 1DS	8.33%	4D>3D, 2D, 1D, CL	18.75%	4D>3D, 2D, 1D, CH	8.33%
5D>4D, 3D, 2D, 1D, CS	8.33%	5D>4D, 3D, 2D, 1D, CL	12.50%	5D>4D, 3D, 2D, 1D, CH	8.33%
S = settle, L = low, H = high, CS= current settle, CL = current low, CH = current high					

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