

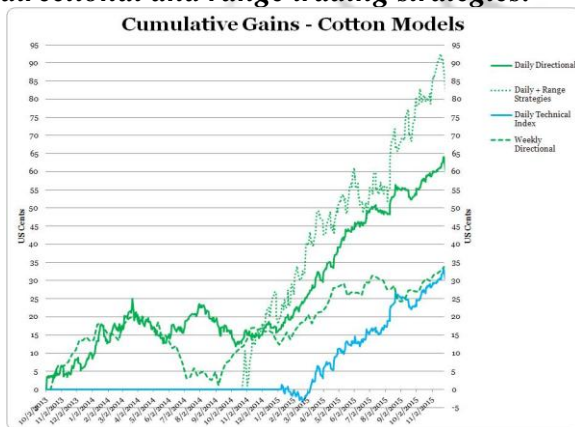
THE ROSE REPORT

Friday, November 27, 2015

This edition of The Rose Report is published weekly and made available free of charge as a courtesy to producers, ginners, merchants, agents and all others who have an interest in the cotton market. To obtain a free trial of other, more comprehensive and up-to-date Rose Report daily and weekly editions, or to learn more about our other analyses and analytic services please visit: <http://rosecottonreport.com/>.

Weekly Complimentary Cotton Market Report

The following chart shows settlement to settlement cumulative gains per contract from our proprietary daily and weekly directional cotton models and indices and also cumulative gains from combined directional and range trading strategies.



Following a difficult planting and growing season and amid horrid late harvest conditions, US producers have struggled to be thankful as the holiday season commences. That said, ICE Mar cotton futures gained 110 points this week, settling at 63.93 on unusually strong holiday

volume. The Dec 16 contract picked up 49 points this week, finishing at 64.78.

As of Nov 22, the US harvest was officially estimated at 70% complete, having advanced 6 percentage points over the previous week. However, the gap between this year's harvest and the 5-year rolling average pace widened to 12 percentage points. Significant amounts of cotton remain on the stalk TX, SC, NC and GA. USDA-AMS classed approximately 870K RBs of cotton this week and just above 6.9M RBs (53% of projected US production) on the season. Upland cotton was classed as 53% and 57% tenderable on the week and season, respectively.

Weather conditions are expected to be less than favorable next week for most US areas with cotton remaining in the field. Internationally, weather conditions across major southern hemisphere producing areas remain generally favorable for sowing and early development of this season's crop.

Across major northern hemisphere producing regions, few concerns are noted with respect to remaining harvest operations.

Demand for US stocks for export was approximately 38% higher vs the previous sales period while shipments were modestly higher. Total net export sales of US cotton for the week ending Nov 19 were reported at just above 275K RBs (a MY high) and were significantly ahead of the weekly pace required in order to meet the USDA's 10.2M bale export target. Total shipments were near 90K RBs while sales cancellations increased to approximately 24K RBs.

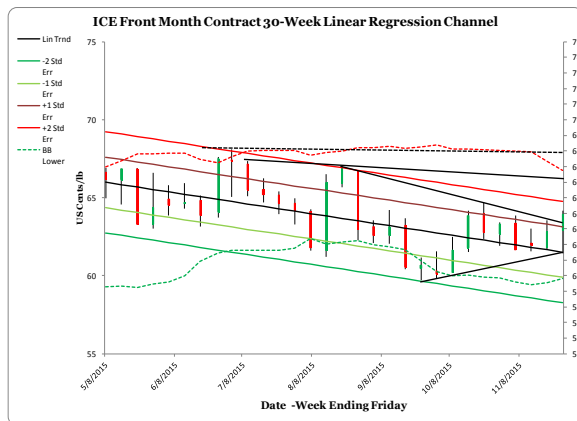
Internationally, tensions in the Middle East escalated on Tue when the Turkish military shot down a Russian fighter jet near the Syrian border. The USDA's attaché in Brazil has estimated 2015/16 cotton area off 9% Y/Y on rising costs of production inputs with production projected at 6.4M bales vs the USDA's latest projection of 6.5M bales. The International Cotton Advisory Committee has reduced its estimate of imports into China to less than 1.4M MTs (6.43M bales). However, yarn imports into China this calendar year are reportedly near 2M MTs. In Europe, the PCI Synthetic Fibers Index shows that the price of synthetic fibers decreased 1.72% M/M and approximately 19% Y/Y. In India, reports continue to circulate that this season's crop will yet grow smaller amid continuing quality concerns. Still, the weakening of the Indian rupee will increase the nation's export competitiveness, with African growth seen as the next most favorable option by some pundits. And, this seems reasonable.

In economic news, the US economy expanded at a slower pace in Q3 of 2015 than in Q2 with GDP growth in Q3 estimated at 2.1% vs 3.9% in Q2. The Conference Board's survey of consumer confidence for Nov came in significantly lower for Nov at an index value of 90.4 vs 99.1 for Oct. US initial and continuing jobless claims were significantly lower W/W at 260K and 2.207M, respectively. Strength in US currency persists, with USD closing above par on Fri.

On the spot side, the basis remains strong for higher quality cotton, but this late in the season it's more difficult to find producers with large lots of high quality cotton that don't also include some percentage of discounted qualities. Fortunately, discounts for lower quality bales are being figured relative to the basis for middling bales, which means even light spot recaps are bringing a basis 200-400 points higher than they would in a typical year. We continue to encourage producers to sell before the end of the year.

Our broker and ginner friends tell us the coffee shop conversations are beginning to turn to 2016 planting intentions. While a lot can happen between November and May, the consensus in many quarters is that producers with good ground can make better money with sixty five cent cotton than they can with nine dollar beans or four dollar corn. If prices continue to trade sideways, we wouldn't be surprised to see a 10-15% increase in cotton acres for 2016, but it would take Dec 16 in the high 70s or 80s to inspire a bigger shift in acres.

For next week the standard weekly technical analysis for the Mar contract is neutral but improved from last week's bearish bias, while weekly money flow into the Mar contract is bullish. Next week's export sales are again likely to be supportive, while the market will begin to prepare for smaller US and world production estimates on the USDA's Dec WASDE report.



For a much closer view of our proprietary analysis and forecasts for cotton and grains please see one of our other daily or weekly reports at: <http://rosecottonreport.com/>.

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