

THE ROSE REPORT

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Daily Market Recap, Commentary and Analysis Summary

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The July contract picked up 8 points on the day and week as the near-term consolidation phase continues, settling at 63.77. The settlement was within the upper one half of the trading range. The Dec contract gained 18 and 20 points on the day and week, respectively, settling at 62.72, the net effect leaving the July - Dec spread weakened slightly at 105. Volume slowed a bit for July delivery at approximately 12.7K contracts while July OI was near unchanged at just below 113K contracts.

Cotton futures in China settled lower overnight while MCX-traded futures in India again closed higher. Cash quotes across major cotton geographies were mostly higher. The grains finished higher as the USD Index weakened further. Major stock indices across the world closed mostly lower. The energies settled mostly lower while the major metals finished higher.

In economic news, the aggregate personal income increase within the US in Mar outpaced personal spending increases 0.4% to 0.1%. The UM consumer sentiment

survey showed waning consumer confidence at an index value of 89 for April Vs 91 in Mar. In the EU, GDP growth was reported at 0.6% and 1.6% for the Q/Q and Y/Y metrics, respectively. The EU inflation rate was estimated at (0.2%) and 0.8% Y/Y for the overall and core metrics.

The overall standard daily technical bias for the front month remains bullish, but the front month also remains in an overbought condition on both a daily and weekly basis. July again settled above the majority of its most-referenced SMA periods. Daily money flow remains supportive as July continues to trade within the upper portion of its 60-day regression channel in a consolidation pattern. Initial strong support is expected near 60.00 – 61.00 with significant resistance expected near 65.00. Longer-term positive momentum slowed on Fri.

Fundamentally, little fresh fundamental news was made known to the market on Fri as traders consider the softening value of US currency while also remaining cautious ahead of the Mar 3rd commencement of reserve release auctions in China.

Internationally, cotton exports out of West African nation Côte d'Ivoire were 3% higher in Q1. Supplies reportedly remain tight across N India and Pakistan.

For the week ending April 26, the aggregate commercial and managed money sectors increased their respective net short and long futures positions significantly to approximately (37K) and 33K contracts. The commercials added new short positions at a ratio of around 1:1 Vs long liquidation. Managed money firms added new longs at a ratio of around 1:1 Vs the covering of short positions. Index funds liquidated approximately 2.5K contracts from their combined futures and options aggregate long position. Adjustments for the period were accomplished at a volume weighted average price near 63.85, basis July, and this level could prove pivotal next week for the front month. Commercial entities stepped up their option writing activity considerably over the period, which is suggestive of an underlying aggregate sentiment for range-bound trading over the near-term, at least.

Technically, our proprietary analysis suggests that July futures will likely either consolidate or move somewhat lower over the near-term. Our proprietary index of technical indicators also favors a move lower for the next session. Technical odds favor breaks Vs rallies over a 5-day outlook period. We further expect volatility to

increase somewhat over the same time horizon, with volatility to the downside expected to be greater than that to the upside. Our daily technical analysis suggests that overall risk to the downside is somewhat greater than that to the upside with the trading range expected to be nearly symmetrically distributed to somewhat negatively-skewed.

The balance of the fundamental and technical analysis suggests a lower settlement for July on Mon.

The following tables provide, respectively, our daily and weekly directional bias, as well as our overall trading range expectation and our statistically predicted day trading ranges.

Daily and Weekly Directional Bias and Expected Ranges			
Time Period	Low	High	Settle
Daily Inside:	63.25	64.25	Near Unchgd - Lower
Daily Outside:	62.25	65.25	
Weekly Inside:	62.50	64.50	Near Unchgd - Lower
Weekly Outside:	61.50	65.75	

Buy/Sell Recommendation:

Day trades:

Statistical Day Trade Ranges		
Direction	Inside	Outside
Short	64.39	64.52
Long	63.03	62.88

Producer selling:

With soybeans trading over \$10 and the recent devaluation of cotton equities by \$10/bale, we continue to hear of Delta acreage being switched from land intended for cotton to soybeans. The size of this move remains to be seen, but wet weather in the next 3 weeks could easily push more acres to beans.

Unfortunately, the aforementioned change in the AWP formula effectively threw a wet blanket on forward contracting, and neither producers nor merchants are getting aggressive despite a Dec contract moving into the mid 60s. Until the market or basis justifies a price 4-5cents better than current offerings, it is hard to see producers committing more than token acres to any given contract.

That said, both prudence and your banker would argue that it makes sense to price 1/4-1/3 of your crop at current levels or higher. The option pit looks like the best place to do that for now, which gives growers the option to play the basis game later in the season, when weather, quality issues, or a tight domestic supply could improve current offers.

Longer-term Outlook:

Despite the cotton market's strong performance over the last several weeks we continue to expect both old and new crop futures to either consolidate or retreat over the near-term. Demand remains the major culprit. The overall S&D picture remains bearish and we think that some downside protection on Dec rallies either near to or above 63.00 should be considered.

The table below provides settlements from various futures and spot markets across the globe.

Performance of Selected Commodities and Indices		
Instrument/Index	Close	Percent Change from Previous Settle
CME Grains		
July 15 Corn	391 3/4	0.13%
July 16 Soybeans	1029 3/4	0.22%
July 16 Wheat	488 1/2	0.62%
International Cotton Futures		
CZCE Sept 16 (China)	12,475	0.28%
MCX May 16 (India)	17,750	0.28%
Pure Terephthalic Acid (PTA)	5,038	-0.40%
Cotton Basis, World Value and Cert. Stock		
US Avg Spot Price (41-3-34)	61.37	-0.03%
US Avg Spot Price (31-3-35)	65.43	-0.02%
ICE Futures Cert. Stocks	57,746	8.49%
Cotton Outlook A-Index	71.70	-3.54%
A-Index ICE Nearby Futures Spread	8.01	11.25%
US Low Quote	71.75	-0.69%
Adjusted World Price	52.02	-0.86%
China Foreign Cotton Index	72.38	-0.22%
Bremen CIF Index	75.00	-0.40%
Brazil Cotton Index	75.60	0.95%
Energies		
Light, sweet crude	45.92	-0.24%
Natural gas	2.18	4.81%
Gasoline	1.60	-0.39%
Indices		
Dollar Index	93.08	-0.72%
S&P 500	2,065	-0.51%
DJI (Dow Jones)	178	-0.32%
NDX (NASDAQ 100)	4,341	-0.52%
FTSE 100 (London)	6,242	-1.27%
CAC 40 (France)	4,429	-2.82%
DAX (Germany)	10,039	-2.73%
SSMI (Switzerland)	7,961	-1.71%
Nikkei 225	16,666	0.00%
HSI (Hong Kong)	21,067	-1.50%
SSEC (Shanghai)	2,938	-0.26%
KOPSI (S. Korea)	1,994	-0.34%
JKSE (Jakarta)	4,839	-0.20%
Metals		
Platinum	1,077.90	2.76%
Gold	1,290.50	4.49%
Silver	17.79	1.34%
Copper	2.28	2.33%

The following tables provide, respectively, the odds of moves of 150 and 300 points, as well as the associated probabilities of realizing moves of these magnitudes over a 5-day outlook period, probabilities of trading above or below intraday high and low values from the most recent 5 days over a 5-day outlook, daily technical range estimates and statistics on expected intraday high, low and settlement values.

Odds of Breaks/Rallies - 5-Day Outlook			
Magnitude of Move	Prob	Odds Break	Odds Rally
150 Points	71%	1.23:1	-
300 Points	32%	1.4:1	-

Probability of Surpassing Recent Highs and Lows			
Period	Price	Period	Prob
Min Low 5-D Lookback	63.10	5-D Forward Below	39%
Max High 5-D Lookback	63.10	5-D Forward Above	55%

Statistically Predicted Ranges		
Parameter	Low	High
Range	63	123
Settlement	63.36	64.12
Low	62.88	63.49
High	63.98	64.52
Inside Range	63.49	63.98
Outside Range	62.88	64.52

Parameter/Scenario	Cotton Adjusted Historical Price Movement Statistics			
	Average	Median	Min	Max
Range	82	73	24	314
Settlement	-3	9	-276	230
Low	-43	-47	-295	0
High	38	27	0	250
Settlement (if lower)	-76	-67	-276	-5
Settlement (if higher)	56	40	1	230

Price movements are in relation to latest settlement value

Technical Analysis

The tables below provide, respectively, simple and exponential moving average (SMA and EMA) for the front month, daily and weekly pivot points and daily technical signals from a suite of base technical indicators.

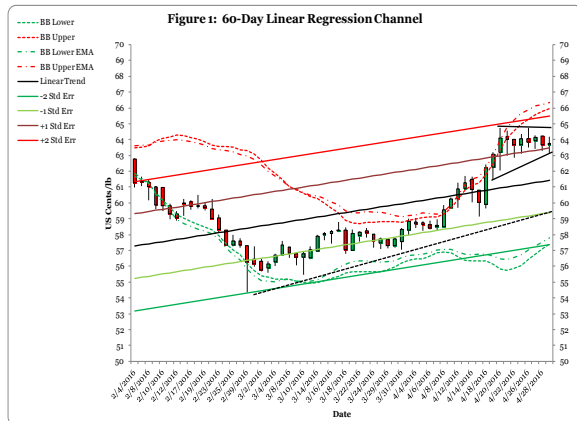
Simple and Exponential Moving Averages		
Period	SMA	EMA
5D	63.90	63.76
9D	63.81	-
10D	63.66	63.26
20D	61.68	62.07
21D	61.55	-
40D	59.66	-
50D	59.20	60.74
100D	61.14	61.01
200D	62.38	74.91

Daily and Weekly Pivot Points					
Daily			Weekly		
Pivot Point(D):	63.70		Pivot Point(W):	63.87	
PPD-S1:	63.22	PPD-R1:	64.24	PPW-S1:	63.00
PPD-S2:	62.68	PPD-R2:	64.72	PPW-R2:	65.52
PPD-S3:	62.20	PPD-R3:	65.26	PPW-S3:	61.35
				PPW-R3:	66.30

S = Support Level, R = Resistance Level

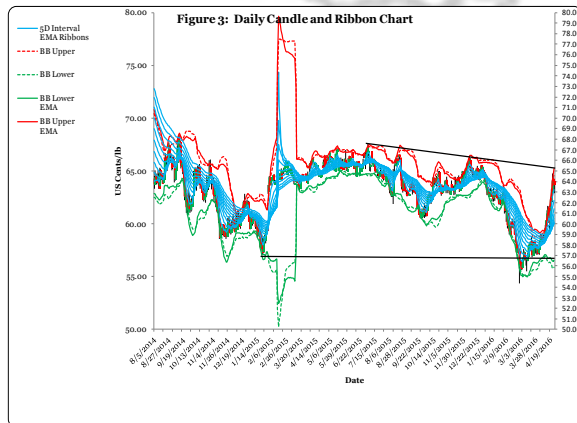
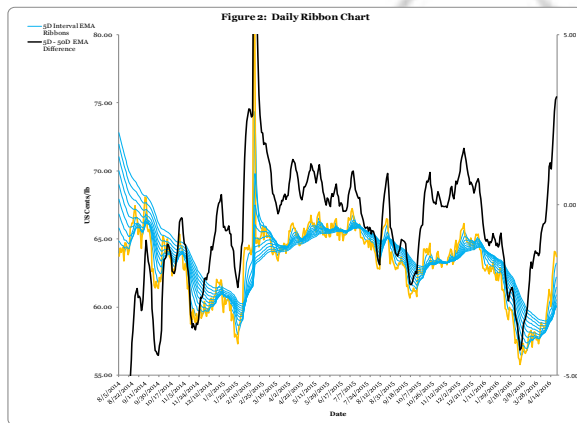
Base Technical Indicators	
Indicator	Signal
RSI (14):	Buy
Stoch. (9,6):	Overbought
Stoch. RSI (14):	Buy
MACD:	Buy
ADX:	Buy
Williams %R	Overbought
CCI (14):	Buy
ATR:	Buy
Hi/Lo:	Buy
Ult. Osc.:	Buy
ROC:	Buy
Bull/Bear:	Buy
Volatility	High volatility

Charts:



The table below shows levels of support and resistance (S1 – S6, R1 – R6) per levels of recent historic daily high and low values.

Hi-Lo Support and Resistance	
Hi-Lo S3	74.91
Lmt. Up	66.77
Settlement	63.77
Hi-Lo R4	63.00
Hi-Lo R5	63.00
Hi-Lo R3	62.10
Hi-Lo R2	61.77
Hi-Lo S2	61.01
Lmt. Down	60.77
Hi-Lo S1	60.74
Hi-Lo R1	58.87
Hi-Lo R6	57.58
Hi-Lo S4	57.04
Hi-Lo S5	55.46
Hi-Lo S6	54.33



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.

Comprehensive Linear Support-Resistance Levels	
Support/Resistance Metric	Market Level
200D EMA	74.91
Lmt. Up	66.77
Weekly Pivot Point-R3	66.30
Bol Band Upper	65.97
Weekly Pivot Point-R2	65.52
Pivot Point-R3	65.26
Previous Weekly High	64.75
Hi-Lo R6	64.74
Pivot Point-R2	64.72
Weekly Pivot Point-R1	64.65
Pivot Point-R1	64.24
Daily High	64.17
5D SMA	63.90
Weekly Pivot Point	63.87
9D SMA	63.81
Settlement	63.77
Previous Weekly Settlement	63.77
5D EMA	63.76
Pivot Point	63.70
10D SMA	63.66
Weekly Pivot Point-S1	63.50
10D EMA	63.26
Pivot Point -S1	63.22
Daily Low	63.15
Previous Weekly Low	63.10
Hi-Lo R1	63.00
Hi-Lo R2	63.00
Weekly Pivot Point-S1	63.00
Pivot Point -S2	62.68
200D SMA	62.38
Weekly Pivot Point-S2	62.22
Pivot Point -S3	62.20
Hi-Lo S6	62.10
20D EMA	62.07
Hi-Lo S5	61.77
20D SMA	61.68
21D SMA	61.55
Weekly Pivot Point-S3	61.35
100D SMA	61.14
100D EMA	61.01
Lmt. Down	60.77
50D EMA	60.74
40D SMA	59.66
50D SMA	59.20
Hi-Lo R5	59.06
Hi-Lo S4	58.87
Hi-Lo R4	58.81
Hi-Lo R3	57.58
Bol Band Lower	57.40
Hi-Lo S1	57.04
Hi-Lo S2	55.46

The table below provides probabilities of realizing daily high, low and settlement values that are greater/less than corresponding values.

Probability Series for Daily Hi - Lo - Settle							
Close Down		Close Up		Lo		Hi	
Level	Prob.	Level	Prob.	Level	Prob.	Level	Prob.
Clse. Dn	44.74%	Clse. Up	55.26%	<0, >(38)	100.00%	>0, <38	100.00%
<= (38)	28.95%	>= 38	28.95%	<= (38)	52.63%	>= 38	42.11%
<= (75)	18.42%	>= 75	15.79%	<= (75)	26.32%	>= 75	26.32%
<= (113)	13.16%	>= 113	7.89%	<= (113)	15.79%	>= 113	18.42%
<= (150)	5.26%	>= 150	2.63%	<= (150)	7.89%	>= 150	7.89%
<= (188)	5.26%	>= 188	2.63%	<= (188)	5.26%	>= 188	5.26%
<= (225)	2.63%	>= 225	2.63%	<= (225)	2.63%	>= 225	2.63%
<= (263)	0.00%	>= 263	0.00%	<= (263)	2.63%	>= 263	0.00%
(300)	2.63%	300	0.00%	(300)	0.00%	300	0.00%

The following table provides probabilities of realizing daily high, low and settlement values that are greater/less than the most recent corresponding values.

Probabilities for High - Low - Settlement 1-5 Days Forward						
Days Forward	Prob S < CS	Prob S > CS	Prob L < CL	Prob L > CL	Prob H < CH	Prob H > CH
Day 1	44.74%	55.26%	34.21%	65.79%	31.58%	68.42%
Day 2	36.84%	63.16%	42.11%	57.89%	26.32%	73.68%
Day 3	50.00%	50.00%	34.21%	65.79%	34.21%	65.79%
Day 4	60.53%	39.47%	50.00%	50.00%	52.63%	47.37%
Day 5	57.89%	42.11%	57.89%	42.11%	47.37%	52.63%

S = settle, L = low, H = high, CS = current settle, CL = current low, CH = current high

The tables below relay, respectively, probabilities for a 5-day forward period in which daily high, low and settlement values are lower D/D as the 5-day period progresses, and, conversely, for a 5-day forward period in which daily high, low and settlement values are greater D/D for the 5-day assay period.

Trend Probability Series - Down					
Days Forward	Prob S	Days Forward	Prob L	Days Forward	Prob H
1>CS	44.74%	1>CL	34.21%	1>CH	31.58%
2D>1D, CS	41.18%	2D>1D, CL	46.15%	2D>1D, CH	58.33%
3D>2D, 1D, CS	11.76%	3D>2D, 1D, CL	23.08%	3D>2D, 1D, CH	16.67%
4D>3D, 2D, 1DS	0.00%	4D>3D, 2D, 1D, CL	7.69%	4D>3D, 2D, 1D, CH	8.33%
5D>4D, 3D, 2D, 1D, CS	0.00%	5D>4D, 3D, 2D, 1D, CL	7.69%	5D>4D, 3D, 2D, 1D, CH	0.00%

S = settle, L = low, H = high, CS = current settle, CL = current low, CH = current high

Trend Probability Series - Up					
Days Forward	Prob S	Days Forward	Prob L	Days Forward	Prob H
1>CS	55.26%	1>CL	65.79%	1>CH	68.42%
2D>1D, CS	47.62%	2D>1D, CL	48.00%	2D>1D, CH	61.54%
3D>2D, 1D, CS	28.57%	3D>2D, 1D, CL	16.00%	3D>2D, 1D, CH	26.92%
4D>3D, 2D, 1DS	14.29%	4D>3D, 2D, 1D, CL	8.00%	4D>3D, 2D, 1D, CH	11.54%
5D>4D, 3D, 2D, 1D, CS	0.00%	5D>4D, 3D, 2D, 1D, CL	4.00%	5D>4D, 3D, 2D, 1D, CH	3.85%

S = settle, L = low, H = high, CS = current settle, CL = current low, CH = current high

Market Bias

Bullish Factors:

Fundamental:

- Estimates of Australian production moving lower
- Strong demand in Brazil
- Dovish statements from Fed
- Transportation adjustment to AWP may curb US acreage
- China has stated that it intends to purchase high quality cotton for its reserve after Aug, 2016
- Projected world C/O 1.12M bales lower Vs Mar
- Projected world and “world less China” C/O projected lower Vs Mar (off 500K bales)
- NDRC in China acknowledges that total reserve sales could exceed 9M bales, if necessary
- USDA consumption projection up ~400K bales Vs Mar
- Mill on-call commitments outnumber producer commitments by nearly 5:25 (2015/16) and 2.6:1 (all active months)
- Seasonality
- ICE certificated stocks below 55K bales
- Strength in Nov soybean futures
- Lack of natural sellers
- US currency value softening
- Polyester precursor and staple prices moving modestly higher

Technical:

- Standard daily technical analysis
- Standard weekly technical analysis
- Proprietary weekly technical analysis
- Daily money flow
- Weekly money flow
- Settlement above majority of most-referenced SMAs
- Longer-term momentum is positive

Bearish Factors:

Fundamental:

- Merchants have redeemed cash cotton from loan and merchants will likely avoid carrying through an inversion
- On-call sales decreased W/W
- Synthetic fiber spot prices remain cheap
- Cotton yarn spot prices remain low
- Commercial selling
- July – Dec spread weakening W/W

Technical:

- Proprietary daily technical analysis
- Market is overbought

Overall Bias:


Near unchanged to lower.

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.



Appendix A

Appendix A – Abbreviations:



ADP:	Automated Data Processing
BLS:	Bureau of Labor Statistics (US)
CAB:	Cotton Advisory Board (India)
CCI:	Cotton Corporation of India
CFTC:	Commodity Futures Trading Commission
CNCR:	China National Cotton Reserves Corporation
CZE:	Zhengzhou Commodity Exchange
D/D:	Day-over-Day
ECB:	European Central Bank
ELS:	Extra Long Staple
EMS:	Exponential Moving Average
EU:	European Union
FSU:	Former Soviet Union
GDP:	Gross Domestic Product
ICE:	International Commodities Exchange
IMF:	International Monetary Fund
ISM:	Institute for Supply Management
M/M:	Month-over-Month
MT:	Metric Ton (1MT equals approximately 4.59 US 480 bales)
MY:	Marketing Year
NBS:	National Bureau of Statistics (China)
NCC:	National Cotton Council
NRF:	National Retail Federation
OI:	Open Interest
PPI:	Producer Price Index
PTA:	Pure Teraphthalic Acid
QOQ:	Quarter-over-Quarter
RB:	Running Bales (1 RB equals approximately 1.025 US 480 bale)
S&D:	Supply and Demand
SMA:	Simple Moving Average
USDA-AMS:	United States Department of Agriculture – Agricultural Marketing Service
USDA-ERS:	United States Department of Agriculture – Economic Research Service
USDA-FAS:	United States Department of Agriculture – Foreign Agricultural Service
USDA – FSA:	United States Department of Agriculture – Farm Service Agency
USDA-NASS:	United States Department of Agriculture – National Agricultural Statistics Service
USDA-RMA:	United States Department of Agriculture – Risk Management Agency
USDA-WAOB:	United States Department of Agriculture – World Agricultural Outlook Board
W/W:	Week-over-Week
Y/Y:	Year-over-Year

