



THE ROSE REPORT

Wednesday, October 19, 2016

Daily Market Recap, Commentary and Analysis Summary

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The ICE Dec contract gave up 4 points on Tue, settling at 71.15. Mar also gave back 4 points, settling at 71.45, the net effect leaving the Dec – Mar spread unchanged at (30). Volume for Dec delivery was near unchanged at approximately 17.4K lots while Dec OI expanded at around 146K contracts.

CME grains finished mostly higher on Tue. Major stocks indices across the world finished higher while the energies and major metal finished mostly higher.

Fundamentally, little news was made known to the market on Tue, although the US harvest continues to move forward. Conversations with producers across the north MS River Delta earlier this evening continues to suggest that this season's harvest is somewhat variable with respect to yield.

Internationally, some experts expect China to off-load around 2.5M MTs (~11.5M bales) of cotton in 2017 from its strategic reserve stocks, which is a positive sign with respect to overall world demand.

The overall standard daily technical bias for the front remains supportive to bullish, although the market remains somewhat overbought on a daily basis. Money flow remains supportive as Dec trades near the top of the 60-day regression channel. Strong support is expected near 68.00 – 69.00 while formidable resistance is expected near 72.00 and 73.00 (a gap remains above the market at 72.90 – 73.05). Longer-term upward momentum was near unchanged on Tue.

Our proprietary models suggest that Dec futures will likely move somewhat lower over the near-term. Our proprietary index of technical indicators also favors a move lower for the next session. Odds favor breaks Vs rallies over a 5-day outlook period. We further expect volatility to increase 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 expected to be greater than that to the upside with the trading range expected to be nearly symmetrically distributed to somewhat negatively-skewed.

Odds for a sustained move lower over a 5-day outlook period.

The balance of the fundamental and technical analysis suggests a lower settlement for Dec on Wed.

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:	70.25	71.50	Near Unchgd - Lower
Daily Outside:	69.50	72.00	
Weekly Inside:	68.50	71.00	Near Unchgd - Lower
Weekly Outside:	67.00	73.00	

Day trades:

Statistical Day Trade Ranges		
Direction	Inside	Outside
Short	71.92	72.11
Long	70.12	70.04

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		
Dec 16 Corn	354	-0.07%
Nov 16 Soybeans	978 1/4	1.64%
Dec 16 Wheat	423 3/4	0.65%
International Cotton Futures		
CZCE Jan 17 (China)	15,100	-0.74%
MCX Oct 16 (India)	18,770	-0.74%
Pure Terephthalic Acid (PTA)	4,794	0.67%
Cotton Basis, World Value and Cert. Stock		
US Avg Spot Price (41-3-34)	69.82	-0.04%
US Avg Spot Price (31-3-35)	73.74	-0.03%
ICE Futures Cert. Stocks	20,965	-28.09%
Cotton Outlook A-Index	79.95	7119.00%
A-Index ICE Nearby Futures Spread	8.76	7.75%
US Low Quote	80.00	1.59%
Adjusted World Price	60.67	1.59%
China Foreign Cotton Index	81.52	2.70%
Bremen CIF Index	83.65	0.00%
Brazil Cotton Index	77.96	-0.10%
Energies		
Light, sweet crude	50.29	0.70%
Natural gas	3.26	0.59%
Gasoline	1.51	0.89%
Indices		
Dollar Index	97.90	0.01%
S&P 500	2,140	0.62%
DJI (Dow Jones)	182	0.42%
NDX (NASDAQ 100)	4,840	0.91%
FTSE 100 (London)	7,000	0.76%
CAC 40 (France)	4,509	1.32%
DAX (Germany)	10,606	0.98%
SSMI (Switzerland)	8,075	0.92%
Nikkei 225	16,964	0.38%
HSI (Hong Kong)	23,394	1.55%
SSEC (Shanghai)	3,084	1.40%
KOPSI (S. Korea)	2,040	0.63%
JKSE (Jakarta)	5,430	0.36%
Metals		
Platinum	943.00	0.73%
Gold	1,262.90	4.49%
Silver	17.64	0.94%
Copper	2.11	-0.07%

Technical Analysis

Charts:

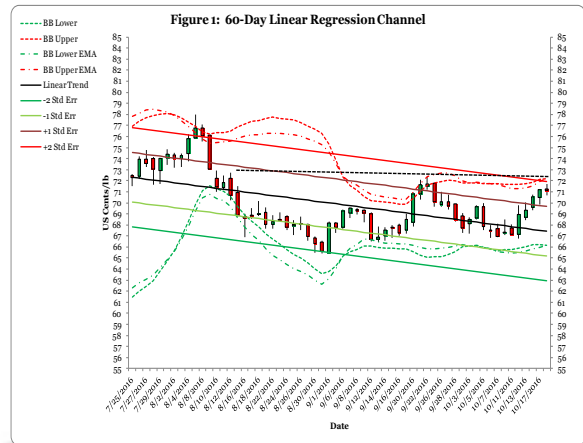
The tables below provide, respectively, simple and exponential moving average (SMA and EMA) for the front month, daily and weekly pivot points and daily technical signals from a suite of base technical indicators.

Simple and Exponential Moving Averages		
Period	SMA	EMA
5D	70.24	70.26
9D	68.91	-
10D	68.80	69.55
20D	69.18	69.15
21D	69.26	-
40D	68.58	-
50D	68.84	68.96
100D	68.64	67.95
200D	64.41	74.05

Daily and Weekly Pivot Points					
Daily			Weekly		
Pivot Point(D):	71.17		Pivot Point(W):	69.36	
PPD-S1:	70.65	PPD-R1: 71.68	PPW-S1:	67.97	PPW-R1: 71.95
PPD-S2:	70.14	PPD-R2: 72.20	PPW-S2:	65.38	PPW-R2: 73.34
PPD-S3:	69.62	PPD-R3: 72.71	PPW-S3:	63.99	PPW-R3: 75.93

S = Support Level, R = Resistance Level

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



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
Hi-Lo R3	77.98
Weekly Pivot Point-R3	75.93
Hi-Lo R1	75.00
Hi-Lo R2	75.00
Lmt. Up	74.15
200D EMA	74.05
Weekly Pivot Point-R2	73.34
Pivot Point-R3	72.71
Hi-Lo R5	72.36
Bol Band Upper	72.21
Pivot Point-R2	72.20
Weekly Pivot Point-R1	71.95
Daily High	71.70
Pivot Point-R1	71.68
Pivot Point	71.17
Settlement	71.15
Previous Weekly High	70.74
Daily Low	70.67
Pivot Point -S1	70.65
Previous Weekly Settlement	70.57
5D EMA	70.26
5D SMA	70.24
Pivot Point -S2	70.14
Hi-Lo R6	70.00
Pivot Point -S3	69.62
Hi-Lo R4	69.59
10D EMA	69.55
Weekly Pivot Point	69.36
21D SMA	69.26
20D SMA	69.18
20D EMA	69.15
50D EMA	68.96
9D SMA	68.91
50D SMA	68.84
10D SMA	68.80
100D SMA	68.64
40D SMA	68.58
Lmt. Down	68.15
Weekly Pivot Point-S1	67.97
100D EMA	67.95
Hi-Lo S3	67.12
Hi-Lo S6	66.88
Hi-Lo S2	66.85
Hi-Lo S1	66.76
Previous Weekly Low	66.76
Hi-Lo S4	66.44
Bol Band Lower	66.16
Hi-Lo S5	65.41
Weekly Pivot Point-S2	65.38
200D SMA	64.41
Weekly Pivot Point-S3	63.99



Market Bias

Bullish Factors:

Fundamental:

- 2016/17 US C/O projected at 600K bales lower Vs Sept 4.3M bales
- Aggregate world C/O projected nearly 2.5M bales lower Vs Sept
- Hurricane Matthew likely damaged crops in E GA, NC, SC & VA
- CNCRC (China) has stated 2017 reserve auctions likely to commence 2 months earlier (Mar) Vs 2016
- 2016/17 world aggregate projected demand 800K bales higher Vs Sept
- World less China C/O relatively tight, off 500K bales Vs Sept
- Mill on-call commitments outnumber producer commitments by ~ 3.2:1 (all active months); !1.9:1 Dec 16
- On-call sales commitments trending higher (all active months)
- US share of world trade expected to increase to ~ 34% in 2016/17 Vs ~ 27% in 2015/16
- US exports nearly 50% committed Vs revised USDA export target
- ICE cert stock maintenance at low level (~29K bales)
- Dec – Mar spread strengthening W/W

Technical:

- Standard daily technical analysis
- Standard weekly technical analysis

- Settlement above all most-referenced SMAs
- Daily money flow
- Weekly money flow
- Longer-term momentum is positive
- Bullish engulfing pattern on weekly candle charts

Bearish Factors:

Fundamental:

- US harvest progress slightly ahead of rolling 5-year average pace
- CNCRC (China) has stated it will likely forego stated intentions in spring 2016 of purchasing high quality stocks for its reserve
- USDA projects 2016/17 Australian production 500K bales higher M/M at 4M bales
- US currency value very strong (and strengthening W/W)
- Seasonality/harvest pressure
- Commercial short covering
- Spec liquidation
- Index fund rolls are imminent
- Lenders in Xinjiang, China have capped processor loans

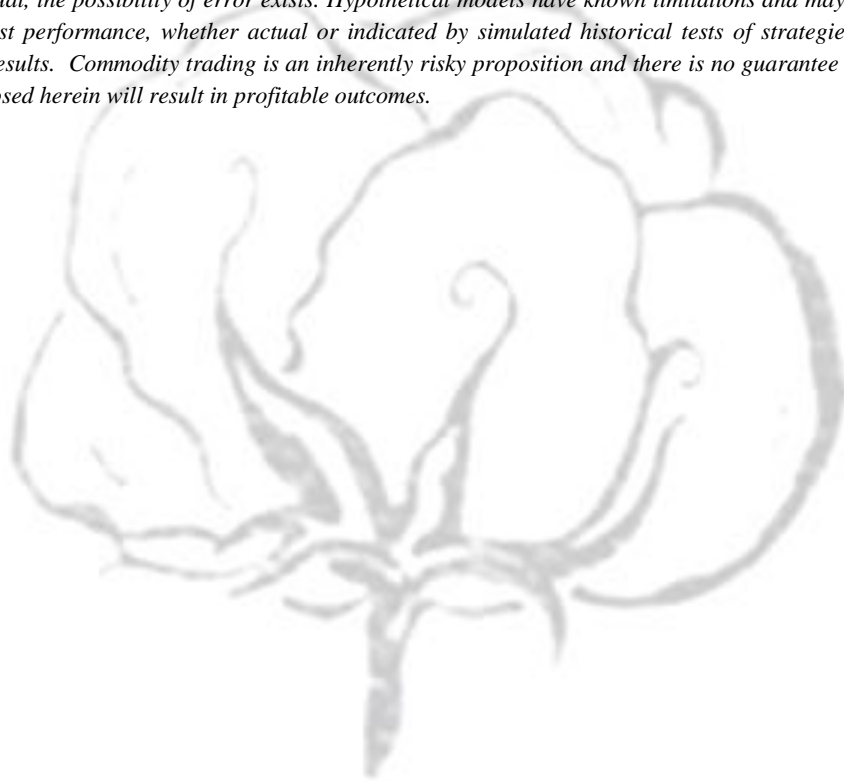
Technical:

- Proprietary daily technical analysis
- Proprietary weekly technical analysis
- OI contraction (Dec) with higher futures prices
- Market is overbought (daily)

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

