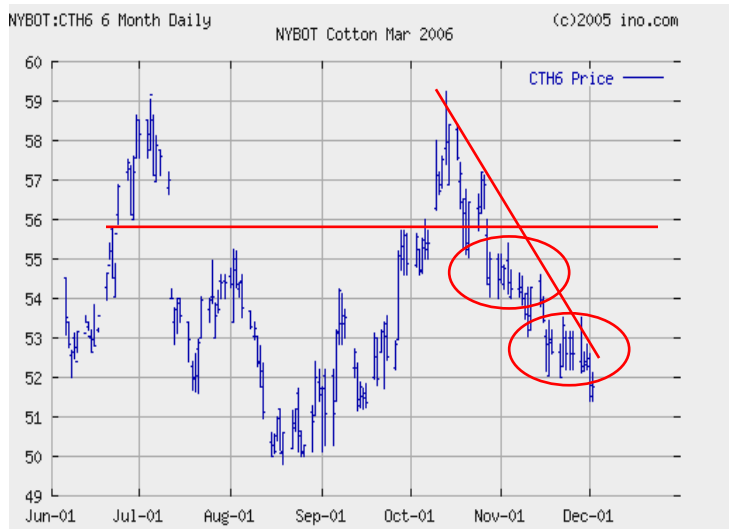


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### Market Behaving Poorly, Can It Find Support

Cash cotton (Southeast) is currently selling for 150 points under March futures. This is a very good basis historically for this time of year. But March cotton futures prices are currently in a 2-month downtrend.

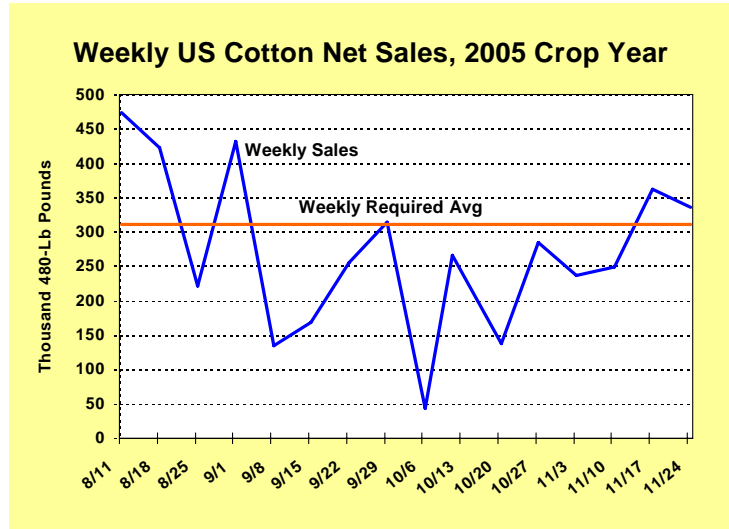
Prices have twice tried to stabilize (see the areas circled in the chart) most recently over the past 2 weeks but failed to hold support dropping below 52 cents yesterday and again today. Next week will be critical to see if the market can recover back above 52 or continue toward the next support level at 50 cents.




A move to 50 cents would, at least in the short-term, not be out of the question. But the market supply/demand numbers, as I see them, do not justify prices at this level (50 cents or less) over the longer term. USDA's December numbers (to be released on 12/9) may show the US crop a bit larger but there are now mounting questions over the crops in China and India. World supplies are estimated to be more than adequate to meet demand... but, demand is high. So any production problems can still cause a spark in price (although without a very big bang).

There hasn't been much news recently so the market seems to take on the tone of the daily specs and traders. Until fresh news comes along, the path of least resistance has taken us down. But again, we will soon see if we can hold near 52 or trend to 50.

Final crop numbers in the US and key foreign countries, as mentioned, along with good US exports will be key to a recovery. For the most part, sales have been below the pace needed to meet USDA's 16.2 million bale estimate. Export sales have trended up over the past 7 weeks. Sales have improved 4 of the last 7 weeks above the pace for the last 2 weeks. But, these numbers do not yet impress the market. The December report and a more accurate picture of foreign production coupled with continued good exports could be the basis for support for prices.



  
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