

Cleveland on Cotton: Cotton Market Bears Continue to Fend Off Bullish Moves

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Cotton found a bit of good fundamental news on the week, but prices failed to respond.

U.S. net weekly exports sales jumped ahead of the pace established over the prior year's trading but failed to impress the market as prices settled the week at 66.03, basis the December contract, and down 51 points on the week.

The week caught both bullish and bearish fundamental news, but the negative fundamentals continue to haunt any attempt to move higher. Attempts to climb back above 67 cents have been met with the disappearance of demand as mills exit the market. However, as prices slip back near the market's limited near-term support of 65.50 to 66.00 cents, light mill fixations halt any move lower. Those fixations have been just enough to hold prices above 65.50.

Thus, those suggesting that the technical price support is dominate can continue to talk of the importance of technicals. However, the market has been range-bound for so long and has traded only within such a very narrow range that technicals tended to lose their reliability.

I am not knocking technical analysis and will say that, with respect to my personal trading, when I have gone against technical, I usually came out a loser nearly 100% of the time. Thus, one should show profound respect for technical analysis. However, the current price support at 65.50-66.00 cents is somewhat weaker than supports in past years.

Simply the absence of demand is the basis for my long-term view, as far back as the January Beltwide Cotton Conferences, that cotton is facing a 63-cent market. Instead of patting myself on the back, I remind you that I also suggested many months ago that December would eventually climb to the 75-cent level — and we know that is not going to happen.

Further, it is important to recognize that in times of extremely weak demand, the lead contract (currently the October 2025 futures contract) portends the price of the upcoming contract (December 2025 futures). The market has experienced that tendency for nearly two years, and fundamentals fail to suggest any new pattern is on the horizon.

The October 2025 contract settled at 64.39 on the week. That is the future from my perspective.

The weekly On Call report continues to encourage speculators to look to the short side of the market, although they are already considerably short the December contract. Any positive demand news would encourage a slight rally and, if confirmed as a turnaround in demand, would ignite a solid short covering price rally into the very, very low-70s.

However, the demand news simply cannot be found — from Turkey to Southeast Asia to China to India. Thus, the record bearish on-call purchases continue to mount and make it extremely difficult to suggest cotton prices can reach above the very low 68-cent area as an absolute topside price.

More importantly, the record level of on-call purchases are very bearish with respect to prices and beg for prices to fall further. On-call purchases for December increased another 95,000 bales on the weekly report, while December on-call sales fell some 87,200 bales. Additionally, open interest has continued to increase as prices slid — a technical indicator that suggests lower prices.

Some felt that a U.S. court ruling that the tariffs were unconstitutional would be bullish for cotton prices. Such was not the case and will not be the case. Simply, the tariffs have not had any meaningful impact on prices. To the contrary, the tariffs should benefit potential sales of grain into Europe and Japan. In total, the tariff policy will be beneficial to U.S. agriculture.

Some will suggest that grain and cotton exports to Asia have suffered. However, the reality is that those markets had already been taken by Brazil and other countries that have supplanted the U.S. as the world's low cost of production leader. It is a new game for U.S. agriculture which now must attack the demand side of the price equation. Its past leadership as the world's low-cost producer has been permanently lost.

The September USDA world supply demand report will be released on Friday, Sept. 12. The Ag Market Network Cotton Market Roundtable group will discuss the report at 1:30 pm Central. To listen, call 605-313-5148 and, when prompted, enter code 571052. You will have the opportunity to ask questions. An archived recording will be available at AgMarketNetwork.com and on Facebook and X (Twitter). The program is sponsored by BASF and their FiberMax and Stoneville cottonseed brands.

World production and carryover are expected to be increased as are U.S. production and carryover.

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