

COTTON COVERAGE

A comprehensive review of global market conditions

Happy New Year! While we're technically well and truly into 2020, January always seems to come and go so quickly. Already 2020 has a more optimistic feel than 2019 with the return of some much needed rain during the second half of January and into February. Parts of the Darling Downs have picked up some handy totals and localised flooding has allowed some water to be captured. The recent rainfall events have brought much needed rain to many of the major cotton growing regions across Queensland and New South Wales. Let's hope the weather systems continue and bring relief and opportunity in the coming months.

Cotton prices continue to hold relatively firm with 2020 cash prices pushing towards the mid-\$600 per bale level during January 2020. Futures have been putting in a reasonable performance and thanks to nearly 6.6 million bales worth of spec buying, prices have rallied over 10 cents since August 2019 to around 70 US cents per pound. During January there was a significant improvement in the commodity complex driven by increased risk appetite from speculators. The cotton market bulls were poised to push prices gradually higher over the coming months – and then the coronavirus outbreak started to escalate...

Global markets do not like uncertainty, and the coronavirus unfortunately is causing fear and panic across the world as

world health authorities desperately try and contain the spread of the virus. Already we have seen tightening travel restrictions from several countries and as the virus spreads there is likely to be further negative impact on global trade and market sentiment. As the largest consumer of cotton, and at the epicentre of the coronavirus outbreak, China is under the spotlight and already we have seen a softening in futures prices as speculators step to the sideline and take a more cautious approach.

The US continues to progress through their season with over 13 million bales of their crop now sold. Shipments have passed over five million bales as they work through an estimated 19 million bale crop. Weekly US export sales have been impressive with a marketing-year high achieved in the last week of January.

For now, we continue to watch the clouds and hope and pray for further rain, and we cautiously watch for further developments in the coronavirus outbreak as the cotton market needs the speculators back on board for prices to move higher from current levels.

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2.0%

Chinese consumption is expected to increase to 39.50 million bales in 2019/20

World production expected to increase to 120.48 million bales in 2019/20

2.6%