

## Namoi Cotton – Trading Manager Marketing Commentary



**20th July 2010**

Local cotton prices were steady over the past week as cotton futures and the Australian dollar both traded sideways. The Aussie dollar rebound from the week before ran out of steam above 88 cents before drifting lower. The December New York cotton futures contract consolidated between 73 and 75 US cents per pound. Speculators, Index funds continued to sell the market whilst Merchants were the main buyers as mills extended their purchases of old and new crop US cotton. Both demand and new crop production estimates continue to grow but at this point it appears the increasingly large crop is having a greater influence on futures prices than the surprisingly robust demand. Beneficial rain in US southeast and forecasts for rain in Texas and Indian cotton growing regions weighed on prices whilst in China excessive rain in Yangtze River region supported prices. Continued demand from China also helped support prices however concerns over the strength of yarn markets are starting to grow as yarn inventories begin to rebuild from their previously low levels and yarn buyers watch the lint futures prices ease. In the US the crop conditions have improved with recent rain with 68 percent of the crop rated good to excellent, well above last years' 45 percent in the same week last year. The continually improving crop conditions is now seeing some market participants call for a 20 million bale crop in the US, above the USDA's latest estimate of 18.3 million bales. This, along with global economic concerns will continue to make it hard for cotton prices to reach recent highs unless we see a production scare or a further jump in demand and economic activity.

If you have any queries regarding the above or Namoi Cotton's marketing options please do not hesitate to contact Clinton Uebergang on 07 4631 6117 or 0427 903 075

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