

## Namoi Cotton – Trading Manager Marketing Commentary



**7/06/2011**

Local and international cotton prices moved higher into the end of last week before beginning this week on a more negative note. Dry conditions in Texas and central China were supporting prices before the weekend when some much needed rain fell on Chinese growing areas. In the New York futures market speculator buying was supporting prices as well as mill buying related to fixing on-call sales. Large US sale cancellations and the expectation of more to come, along with the rolling forward of fund bought positions saw prices at the beginning of this week come off their highs. The front month July contract was weighed on the most, with its premium over the December contract falling to an 8 month low. This is reflective of what is happening in the physical market as mills look to slow consumption and lower the percentage of cotton in blends were possible. Mills continue to grapple with high priced contracts, rising yarn inventories and weak yarn prices. Meanwhile rumours continue to circulate that India will release a further 1.5 million bales of export quota. The meeting to decide this has been delayed a number of times and it is anyone's guess when the meeting will actually happen and then what the decision will be. Mills are reluctant to extend lint purchases in the current environment and it is hard to blame them. It was the re-entry of cheap Indian yarn into export markets that broke the yarn price making expensive lint stock unprofitable to spin. Mills are fearful that if cheap Indian lint hits markets then lint and yarn prices could fall further. Whilst the nearby demand picture remains fragile stocks also remain tight and major concerns over the US crop continue. The US new crop is already heavily committed from grower to merchant and from merchant to mill. With conditions continuing to deteriorate in major growing areas of the US growers and merchants are reluctant to extend commitments particularly for high grade cotton and this bodes well for Australian cotton. 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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