

ICE cotton slips as dollar strengthens, market eyes weather forecasts



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Insights

- ICE cotton futures experienced losses due to resistance at higher levels.
- The December contract settled at 70.26 cents per pound, down 0.65 cents.
- Trading volume was lower, and market activity decreased.
- The USDA reported a slight drop in cotton quality.
- Despite potential rain in forecasts, market sentiment remains cautious due to declining demand.

ICE cotton experienced some losses due to resistance at higher levels. A rebound in the dollar index from lower levels pulled down US cotton futures yesterday. However, higher crude oil prices limited the fall in ICE cotton. Traders are not currently focusing on demand dynamics and weather conditions around the world.

Yesterday, the ICE cotton December contract settled at 70.26 cents per pound (0.453 kg), down 0.65 cents. Initially, the contract had reached 71.36 cents, marking the highest level since July 2019.

The dollar index recovered from an eight-month low and settled with slight gains. A stronger dollar made cotton more expensive for overseas buyers, contributing to the decline in the natural fibre.

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The trading volume for the day was recorded at 26,305 contracts, which was lower than the 33,680 contracts traded the previous Friday. Open interest, a measure of market activity, decreased by 3,024 contracts, bringing the total down to 228,910. Certified stocks at ICE remained stable, starting the day at 9,413 bales, with no changes reported.

The USDA's weekly crop growth report showed a slight decrease in the US cotton quality rate to 40 per cent, down from 42 per cent the previous week. This compares to a 33 per cent quality rate at the same time last year. The boll setting rate for US cotton was reported at 89 per cent for the week, up from 84 per cent the previous week and slightly above the five-year average of 88 per cent.

Weather forecasts indicate potential rain in the 6-10 day outlook, which could help alleviate drought conditions in some areas. Despite the possibility of rain, the overall market sentiment remains cautious, influenced by a combination of declining demand, currency fluctuations, and speculative positioning.

Currently, ICE cotton for December 2024 is trading at 70.36 cents per pound, up 0.10 cents. Cash cotton is trading at 66.08 cents (down 0.71 cents), the October contract at 70.91 cents (up 0.33 cents), the March 2025 contract at 71.83 cents per pound (up 0.10 cents), the May 2025 contract at 73.03 cents (up 0.07 cents), and the July 2025 contract at 73.59 cents (up 0.03 cents). A few contracts remained at the same level as the last closing, with no trading noted today.