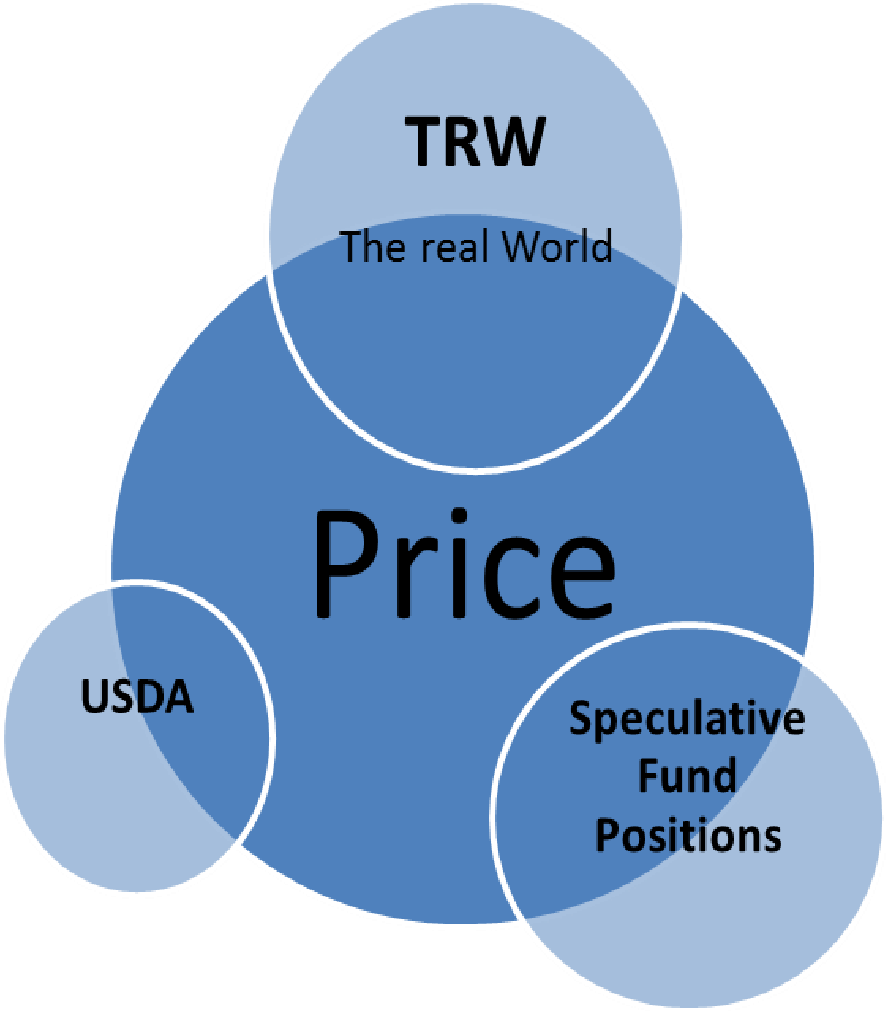
FORESIGHT
BROKERAGE

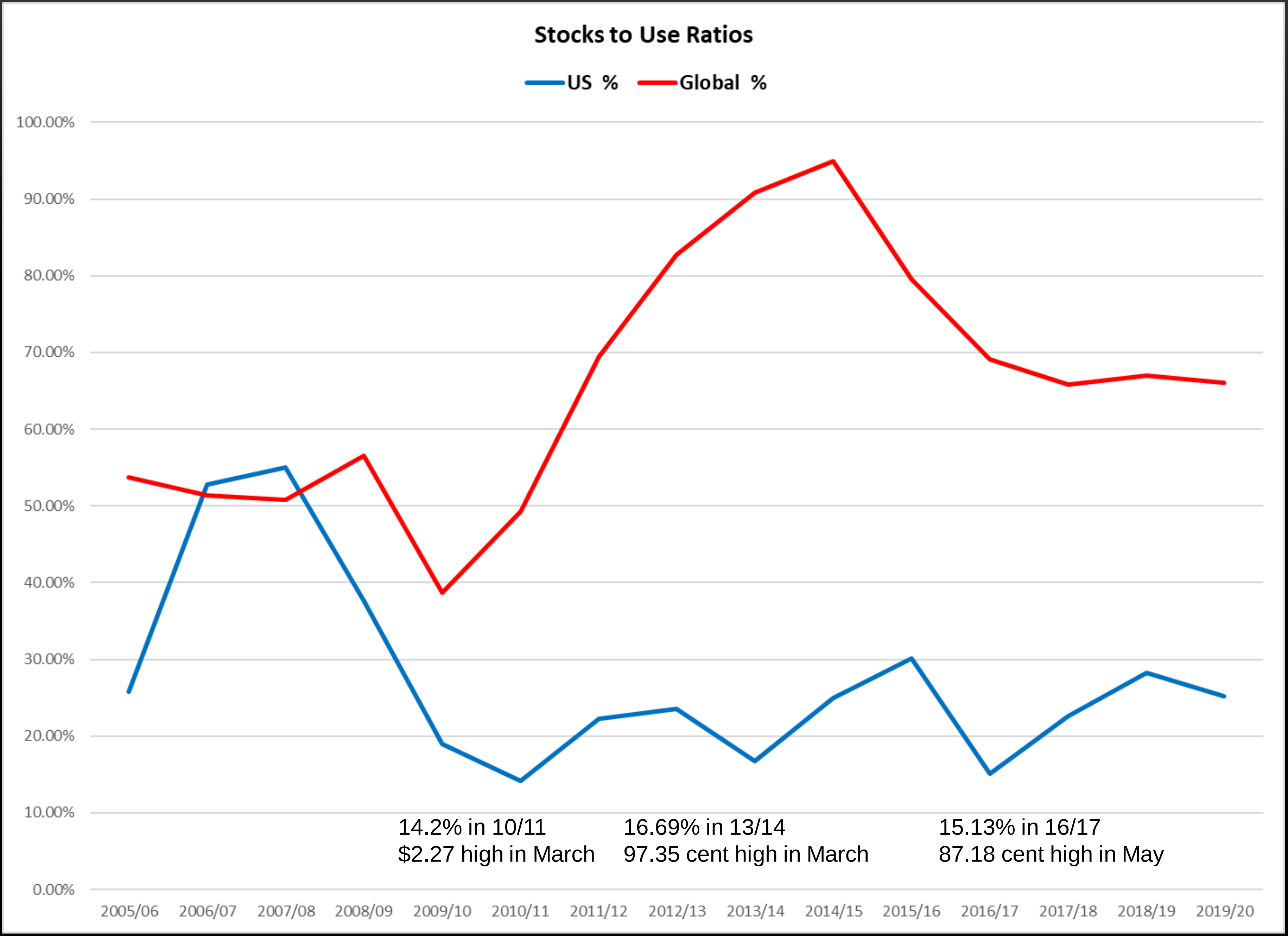

TRW
The real World
Price
USDA
Speculative
Fund
Positions

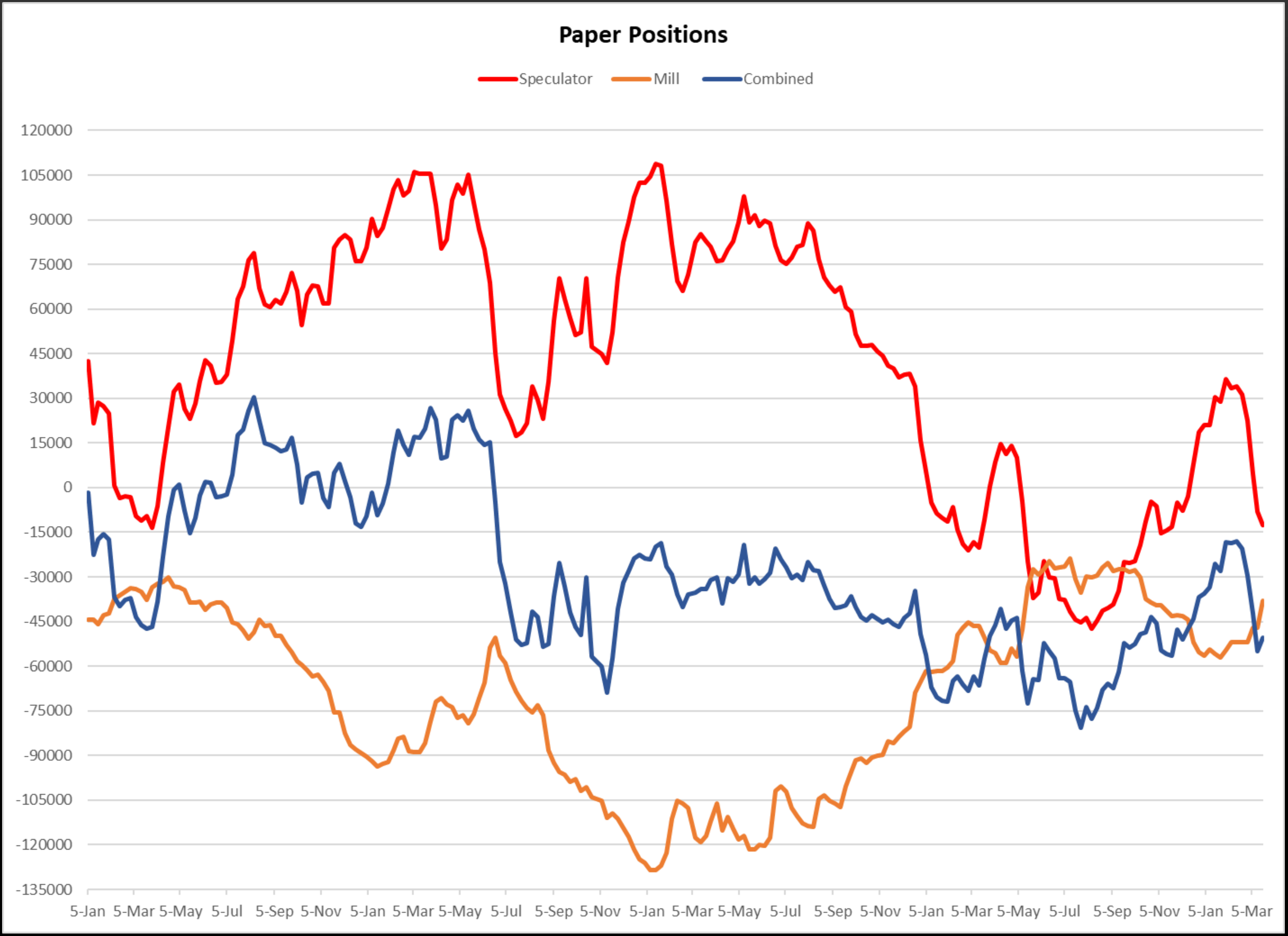
USDA Cotton Balance Sheet

	USDA	USDA	USDA	USDA		USDA	USDA	Foresight
						Feb	March	Estimate
	2015/2016	2016/2017	2017/2018	2018/2019		2019/20	2019/20	2019/20
Area								
Planted	8.58	10.07	12.72	14.10		13.74	13.74	13.76
Harvested	8.07	9.52	11.10	10.21		11.80	11.80	11.70
Abandonment	6.0%	5.5%	12.0%	28.00%		14.12%	14.12%	14.97%
Yield	766	867	905	864		817	805	805
Production	12.89	17.17	20.92	18.37		20.10	19.80	19.75
Beginning Stocks	3.65	3.80	2.75	4.20		4.85	4.85	4.85
Total Supply	16.57	20.98	23.67	22.57		24.95	24.65	24.60
Domestic Use	3.45	3.25	3.52	2.96		3.05	3.05	3.05
Exports	9.15	14.92	15.85	14.76		16.50	16.50	16.75
Total Use	12.77	18.23	19.37	17.72		19.55	19.55	19.80
Ending Stocks	3.80	2.75	4.30	4.85		5.40	5.10	4.80
Stock/Use Ratio	29.8%	15.1%	22.2%	27.4%		27.6%	26.1%	24.2%

New Crop Estimates

	2020/2021			
	USDA AG	Estimate	Estimate	Estimate
	2020/21	2019/20	2019/20	2019/20
Area				
Planted	12.50	12.00	11.50	11.00
Harvested	10.95	10.56	10.12	9.68
Abandonment	12.40%	12.00%	12.00%	12.00%
Yield	855	843	843	843
Production	19.5	18.55	17.77	17.00
Beginning Stocks	5.4	4.80	4.80	4.80
Total Supply	24.9	23.35	22.57	21.80
Domestic Use	3.05	3.15	3.15	3.15
Exports	16.50	16.50	16.50	16.50
Total Use	19.55	19.65	19.65	19.65
Ending Stocks	5.35	3.70	2.92	2.15
Stocks/Use Ratio	27.4%	18.8%	14.9%	10.9%


Stocks to Use Ratios
US %
Global %
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
14.2% in 10/11
$2.27 high in March
16.69% in 13/14
97.35 cent high in March
15.13% in 16/17
87.18 cent high in May
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20



Paper Positions
Speculator
Mill
Combined
120000
105000
90000
75000
60000
45000
30000
15000
0
-15000
-30000
-45000
-60000
-75000
-90000
-105000
-120000
-135000
5-Jan 5-Mar 5-May 5-Jul 5-Sep 5-Nov 5-Jan 5-Mar 5-May 5-Jul 5-Sep 5-Nov 5-Jan 5-Mar 5-May 5-Jul 5-Sep 5-Nov 5-Jan 5-Mar 5-May 5-Jul 5-Sep 5-Nov 5-Jan 5-Mar

With 15.85 million bales already sold and 20 weeks left to go in the marketing year we only need to sell 35,000 bales to hit the USDA number.

India extended their cotton support program thru Sept at 82 cents (roughly). South America is mostly sold up on current crop.

India support prices have removed them as a competitor to the US and made them a customer. US delivered prices are currently 74 cents.

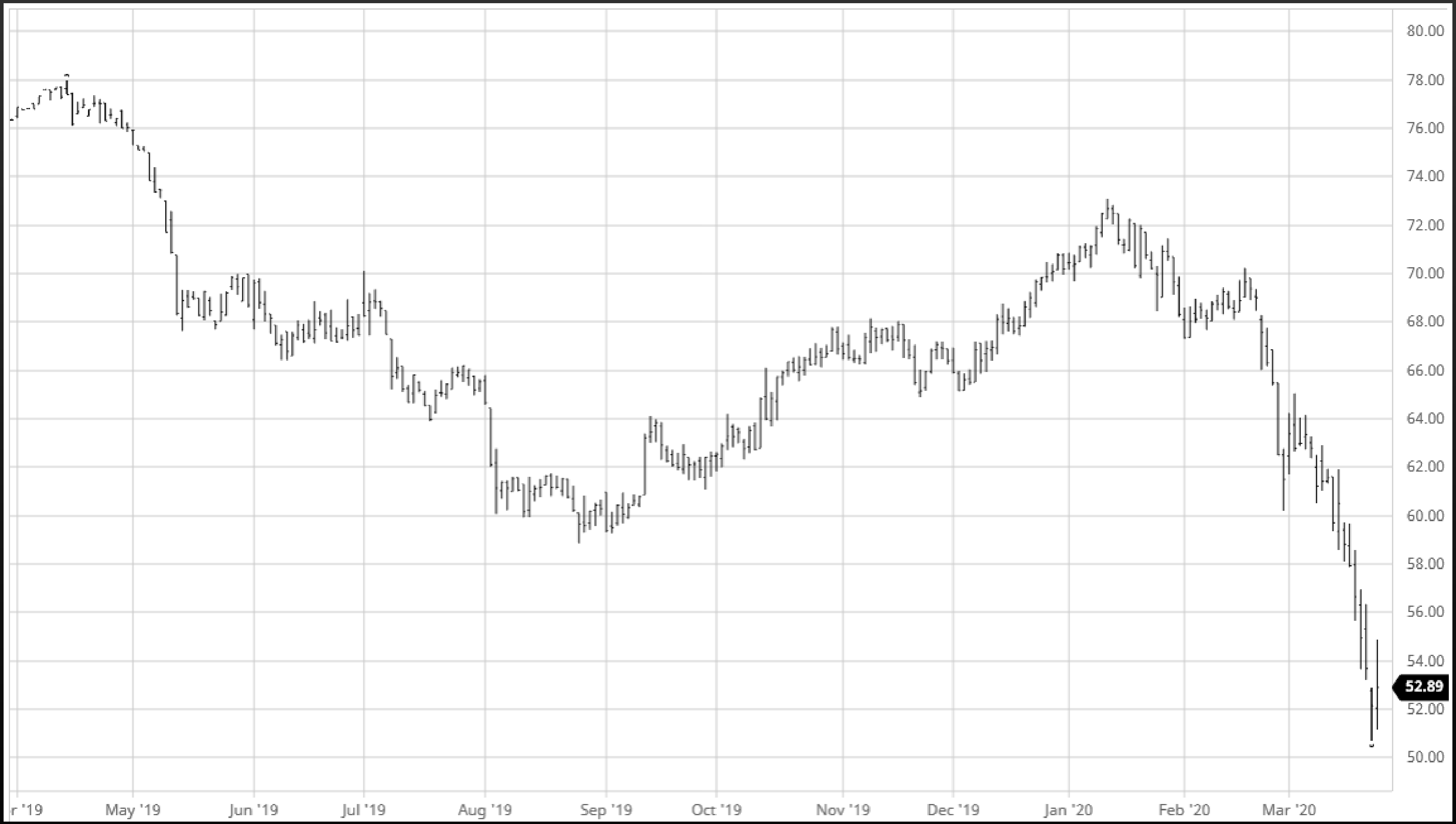
The US will continue to be the most competitively priced cotton in the World.

The big question now is demand. How deep a economic hit will the apparel industry take with the ultra aggressive Government forced quarantine and social distancing policies?

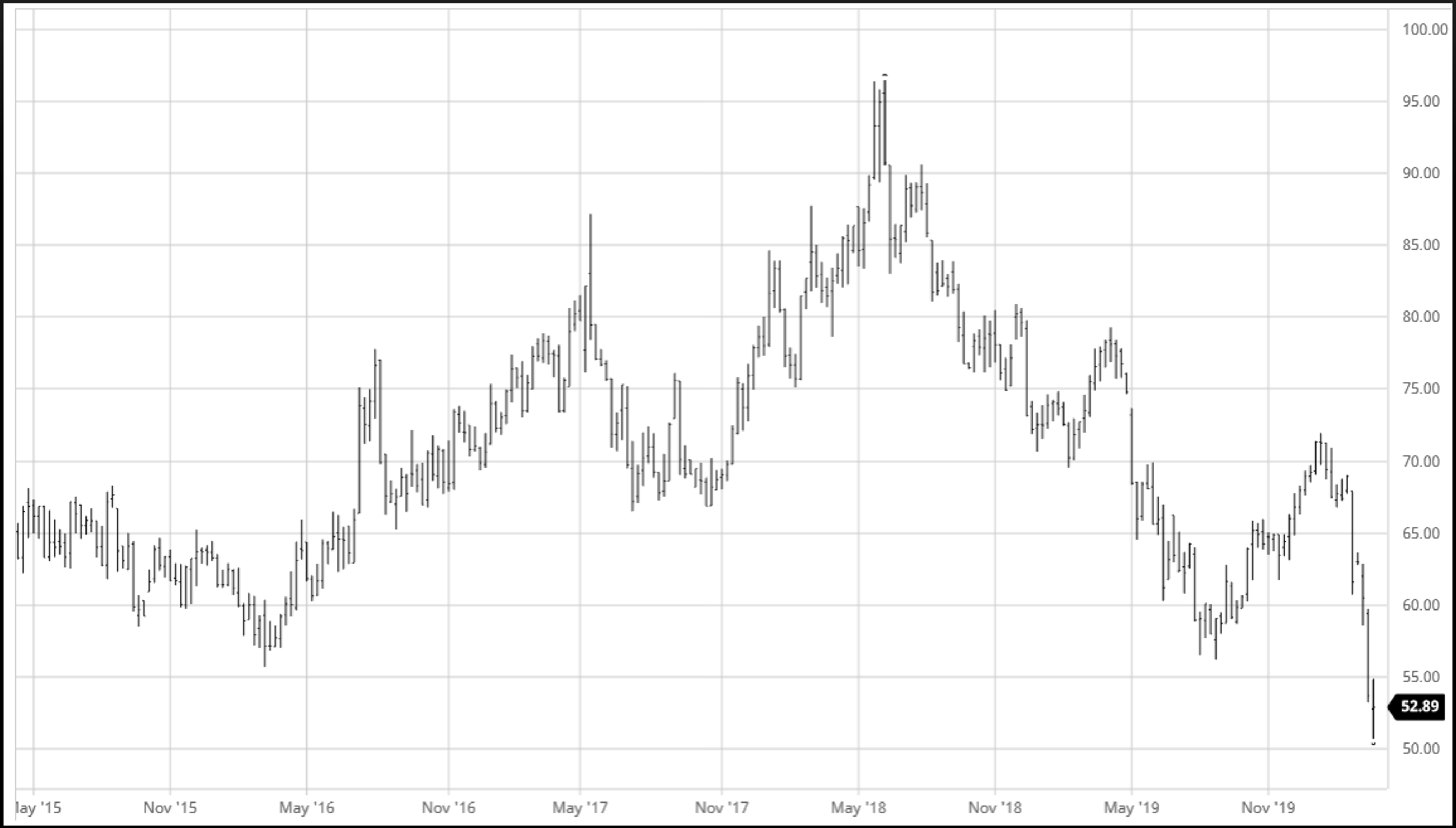
The next question is acres for next year, if speculators continue to press their shorts (taking the market lower) and corn and soybeans continue to stabilize or even rally, how many more acres can the US and the Globe lose?

Both of these questions are moving parts with no answer for several months.

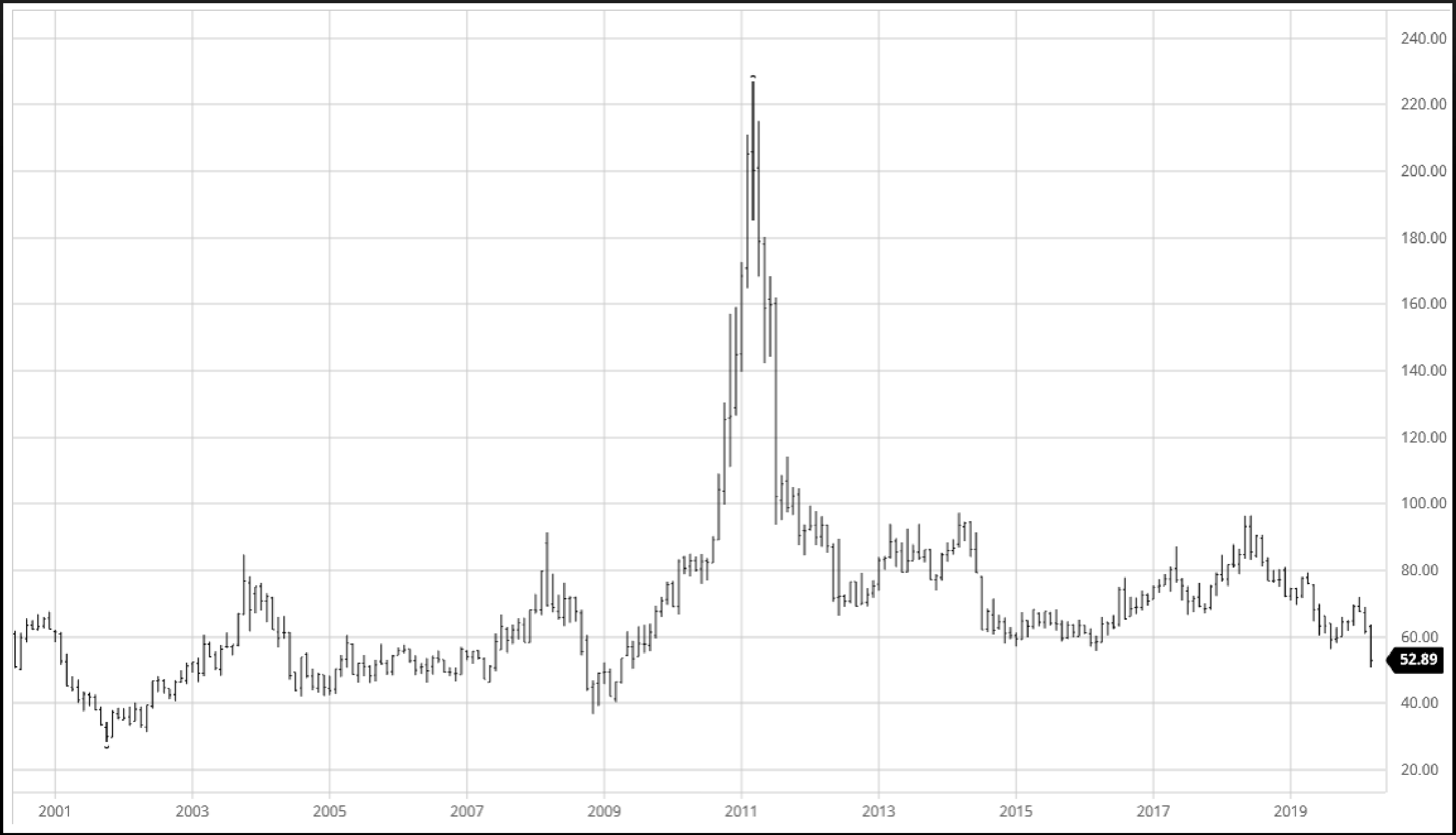
1 Year May Cotton Chart

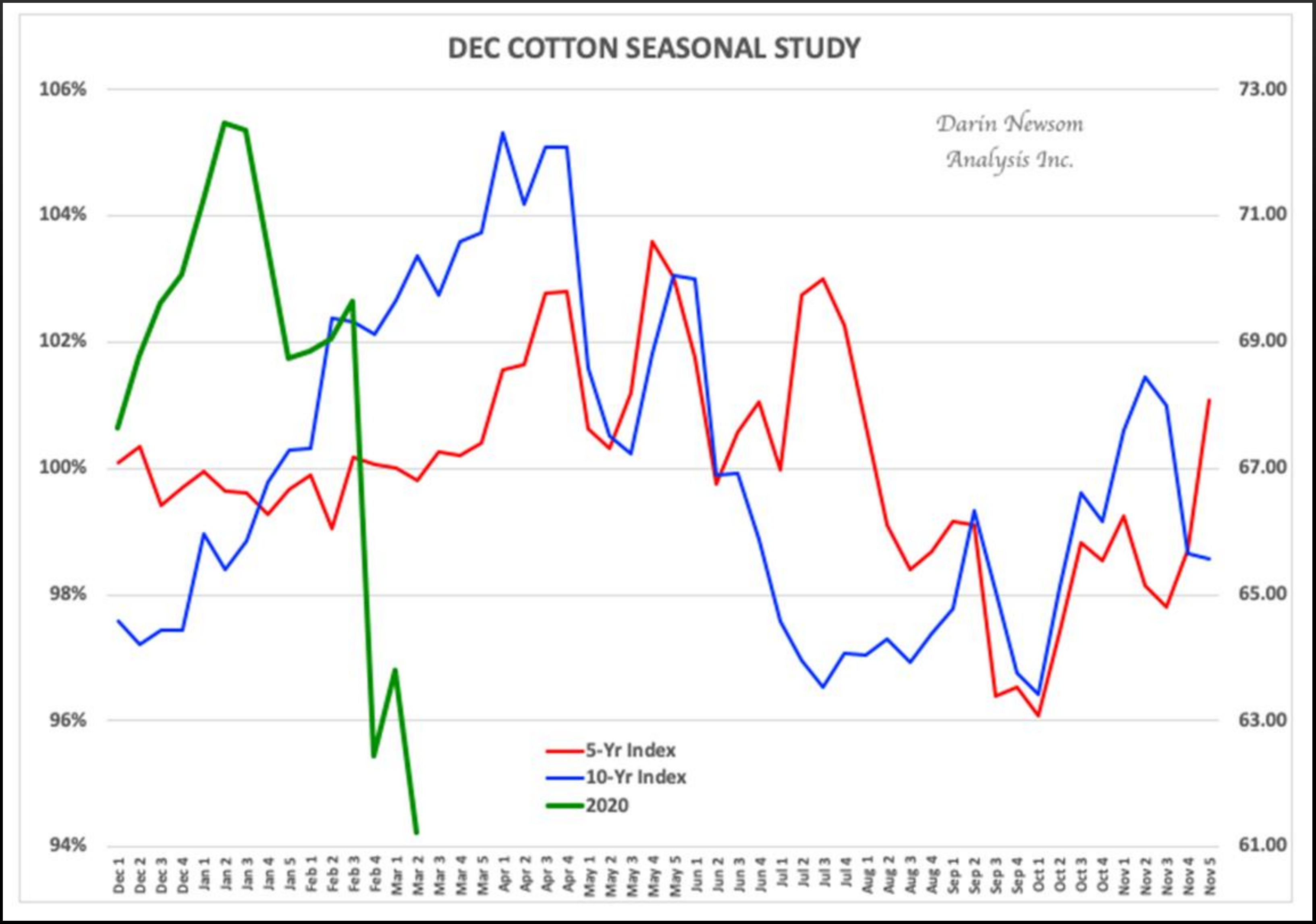


5 Year Cotton Chart



20 Year Cotton Chart




DEC COTTON SEASONAL STUDY
Darin Newsom Analysis Inc.
106%
104%
102%
100%
98%
96%
94%
73.00
71.00
69.00
67.00
65.00
63.00
61.00
5-Yr Index
10-Yr Index
2020
Dec 1
Dec 2
Dec 3
Dec 4
Jan 1
Jan 2
Jan 3
Jan 4
Jan 5
Feb 1
Feb 2
Feb 3
Feb 4
Mar 1
Mar 2
Mar 3
Mar 4
Mar 5
Apr 1
Apr 2
Apr 3
Apr 4
May 1
May 2
May 3
May 4
May 5
Jun 1
Jun 2
Jun 3
Jun 4
Jul 1
Jul 2
Jul 3
Jul 4
Aug 1
Aug 2
Aug 3
Aug 4
Sep 1
Sep 2
Sep 3
Sep 4
Oct 1
Oct 2
Oct 3
Oct 4
Nov 1
Nov 2
Nov 3
Nov 4
Nov 5

Is there a comparative year for this situation?

2008/2009 financial collapse and H1N1 breakout

CDC #’s in the US

43-89 million cases	median of 61 million
195,000- 403,000 hospitalizations	median of 274,000
8,870- 18,300 deaths	median of 12,740

Death rate of 2 tenths of 1%   Corona Virus is running at 1.42%

2009 Stock market Crash/ H1N1 Comparison to 2020

	2009 March Low	3 month High	% gain		2020 March Low So Far	US Stock/Use 2009	US Stock/Use 2020
S&P	666	994 June	49.20%		2174		
Crude Oil	33$	73$ June	121%		19.46		
Corn	3.37	4.50 June	33.53%		3.32	14.50%	13.44%
Soybeans	8.43	12.91 June	53.14%		8.21	6.10%	10.47%
Cotton	40.19	61.67 June	53.44%		50.68	46.50%	26.10%
Wheat	4.89	6.77 June	38.44%		4.91	32.00%	43.00%
Rice	11.95	13.47 May	12.71%		12.75	13.66%	12.90%

Conclusion

Cotton and grain prices suffer greatly during period of economic uncertainty along with the stock market.

The Federal Reserve has responded with unprecedented stimulus and liquidity.

The Federal Government is about to do the same, a bill with over 2 trillion dollars in aid to small and large businesses is expected to pass this week. These are attempts to mitigate financial losses due to forced shutdowns.

MFP3 should be expected and the scale might be bigger than last year.

The cash market is buying into these lower prices creating a battle between speculators and the real world.

Market is in the process of pricing in permanent damage. If the demand loss is as temporary as the virus ?…. tightening stocks/use ratios are expected for next year. The scale of which will not be known for many months.

The farmer will respond by reducing cotton acres ultimately reducing supply

Conclusion

Lower fuel prices have forced ethanol plants to shut down hurting corn demand. Export sales for corn have picked up offsetting some or all of that demand loss, depends on China and if they keep buying.

China is buying corn, beans, wheat and cotton offsetting some domestic demand problems…will that continue?

Are the lows in? How much longer will the virus impact markets?

Be ready for extreme volatility (most likely to the upside) once the corona virus fears dissipate, volatility could be enhanced with record low interest rates and the extraordinary amount of financial stimulus (est. 6-8 trillion dollars in all) that is being pumped into the US market alone.

THANK YOU

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