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# *Prandelli 2018 Cotton UPDATE September 27, 2018*

*By Daniele Prandelli*

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The analysis of Cotton keeps working very well, and our forecast model is really doing the difference. We are aware the forecast cannot work perfectly every time, but I always say that Cotton is one of the best Markets for my models. For now, Cotton confirms my statement. In June, we said:

- *As you well know, we are expecting a downtrend starting from June/July, and the downtrend can even work until November/December...*

Evidently, the forecast is doing a great job:



Talking about the important levels, I have to say that the ones I gave you in June did not work very well (only 80.60 did a great job); they were not as price as we expected. Hence, we need to update them.

About the forecast, I confirm that **the favorite scenario suggests a continuation of the downtrend AT LEAST until November**, and we should see lower levels in that month. From November, we will have to work protecting the hypothetical profit, using the price map. The downtrend can even go on until December, but I believe it is better to work with the downtrend until November, and December will be just a plus in case of a continuation of weakness.

Let's update the price map with the Chart here below:



At the moment, we can follow the downtrend with the **important price area at 80.68-80.84** (in the previous Update, I gave you the level 80.60, and you can see

it was a great one). Under this level, we have a **first support at 76.35**, but this level is not very strong and precise, I would use it just to take some profits and wait for a bounce to re-open SHORT positions at higher levels. I would not use it as a Key Price where we open SHORT positions under it with STOPS above it. Lower, there is an **intermediate level at 73.52**, but the **most important one is at 71.30-71.80**; this level is probably the most important one, and a **possible final take-profit**. If Cotton is at this level in November, you understand we better close the entire SHORT position, if any.

If we see an up push above area 80.84, we better remain FLAT. I cannot open a LONG position above it because I must follow my system, which suggests a continuation of the downtrend. If I am wrong, I just miss the swing above 80.84, no problem.

If something big happens, and we see a strong fall, there is a **possible huge support in area 60.00, not precise absolutely, but still important for long-term**.

We are seeing the Market moving sideways for days, and then we see suddenly a few strong bars, breaking out the sideways pattern to head to lower levels (see the chart with the number of bars of the drop: 3 – 2 – 1). Psychologically, it is very stressful trading a Market like this, because we mainly wait weeks for a movement, and when it starts; you cannot be one day

late, otherwise you have missed the entire movement. I do not like when a Market works with this pattern. Since June, the downtrend is the result of just SIX negative days. Be aware of that.

**Obviously, we keep working with the December 2018 Contract, symbol CTZ18.**

The next Update will be on November 28. In the mean time, I will prepare the new 2019 Cotton Forecast & Strategy Bulletin.

Good Trading!

Best Regards,  
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