



Since last October, the price/volume behavior in cotton has been primarily bullish. Aggressive demand (D) appeared on the initial lift-off from the low. A trading range formed between the November high and the February low. After an upthrust in March, cotton washed out the bottom of this trading range and then began to rise. Absorption occurred in June where prices held in a narrow range between the two resistance levels at 38.75 and 40.19. Here the longs were steadily working through the overhead supply prior to the mark-up. The high-volume, wide open rally in late June indicated demand had overcome supply (D/S). Prices continued to rise until meeting resistance against the supply line of the original up-channel. A new trading range formed above 43.20 until last week's breakdown where supply overcame demand. Prices are now backing up to test the high-volume breakout that occurred in June. In many ways, this is similar to the re-test in May of the high-volume lift-off from the October low. So far, there has been no evidence of demand as prices show no ability to rally. The narrowing of the price ranges in recent days, however, does not reflect aggressive selling. The overall behavior suggests that a washout of longs has occurred rather than the start of a prolonged down-wave.