



MAY 1, 2020

FUTURES PRICES RALLY TO FRESH SIX-WEEK HIGH

- 3.8 Million Additional Jobless Claims This Week
- Decreasing Number of New Coronavirus Cases
- U.S. Export Sales Report Provided Evidence for Rumored Chinese Purchases
- Crop Progress Report and Export Sales Report Next Week

July futures began the week with a decline, slipping back to 54.55 cents per pound on Tuesday. Prices turned upward from there, and rallied to a fresh six-week high on Thursday at 57.98 cents. Thursday's settlement at 57.33 cents makes for a gain of 96 points for the week. Despite the price action, trading volumes have been relatively low. The number of open contracts also continued to decline, dropping 2,993 from last Thursday's reading to 176,175. Looking at daily open interest readings, we

saw open interest of 174,079 on Wednesday, which was actually the lowest daily figure since 2015.

OUTSIDE MARKETS

Outside markets continued to rally despite negative economic indications continuing to flow through the headlines. 3.8 million additional jobless claims did little to convince investors it was time to sell. Instead, the focal point seems to be the decreasing number of new coronavirus cases across the world and the world's plans to begin opening up for business again. Markets were also cheered by news that an anti-viral drug already on the market may have some success in treating coronavirus infections. Investor relief seems to have helped commodities pull up a bit as well.

EXPORT SALES

U.S. export sales roared back to life this week and provided evidence of the rumored Chinese purchases. Of the 434,800 bales of Upland net new sales, 422,400 bales are headed to China. On top of that, China ordered another 115,300 bales for delivery next marketing year (after August 1). Unfortunately, net sales outside of China were rather dismal at just 12,400 bales. The slowness outside China continues to reflect the uncertainty that spinning mills across the world face as they cope with their own country's lockdowns and uncertainty about downstream demand in the future. Shipments were also poor again at just 253,700 bales of Upland and 7,000 bales of Pima.

THE WEEK AHEAD

Monday's Crop Progress Report and Thursday's Export Sales are the points to watch next week. On the one hand, traders will be looking to see what sort of a start the cotton crop gets as planting begins to ramp up in the Southeast. On the other hand, traders will be eagerly waiting to see whether China has continued to purchase cotton and whether demand can broaden from that single destination. Beyond these cotton fundamentals,

the broader macroeconomic environment and stock market movements are likely to continue driving daily price action to a larger degree than usual.

IN THE WEEK AHEAD:

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress Report
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call Report