



NOVEMBER 1, 2019

FUTURES RALLY THEN GIVE BACK GAINS

- Prices Remain Mostly Range Bound
- Spot Sales Slightly Higher Than Previous Week
- Export Sales Higher but Muted by Cancellations
- Britain Moves Closer to Exit from EU?

Despite a lot of volume traded, futures activity was predominantly within the past few weeks' trading range. After several days of failing to move lower, December futures rallied to a new four-month high on Wednesday, touching 65.99 cents per pound. Prices fell back on Thursday to the week's low of 64.02 cents. December futures settled at 64.44, 21 points lower for the week. Open interest rallied 4,798 contracts to 243,999, its highest since early February. Traders have begun shifting

their positions from December to March as the lead contract nears expiry. Options on the December contract expire next Friday.

SPOT MARKET ACTIVITY

As of late Thursday afternoon, The Seam's G2B platform traded 20,110 bales for the week. The average price received by producers was 60.73 cents per pound and 2.89 cents more than the previous week's average. The average premium over the CCC loan was 7.67 cents per pound, and 48 points higher than the previous week. Bales offered for sale by growers stood at approximately 92,800 late Thursday (67,418 bales of 2019-20 crop were offered).

EXPORT SALES AND SHIPMENTS

Cotton shippers sold 181,300 Upland bales for delivery in the 2019-20 marketing year but also saw the cancellation of 71,300 bales by Indonesia. The cancelled bales were rolled forward to 2020-21 delivery and accounted for all of the new Upland sales for next marketing year. The bulk of new orders came from Turkey (60,500 bales), Pakistan (60,500), and Vietnam (31,400). Shipments were low compared to the weekly average needed to hit USDA's export forecast, but it should be noted that shipments are highly seasonal. Accumulated exports are actually 395,000 bales ahead of where they were at this time last year.

BREXIT DEVELOPMENTS

International macro-economic news provided plenty of market moving headlines this week. British Prime Minister Boris Johnson succeeded in pushing through a general election which reduced the chances of a "No Deal" or "Hard" Brexit but also prolonged the uncertainty surrounding Britain's exit from the EU. Meanwhile, China and U.S. trade talks reportedly are progressing well, but the APEC meeting at which Presidents

Trump and Xi were supposed to meet was effectively cancelled because of violent protests in Chile. An alternate location has not been settled, but both sides have signaled a desire to move the meeting elsewhere.

FEDERAL RESERVE NEWS

In addition to Brexit and the China deal, the Federal Reserve also announced a rate cut on Wednesday, reducing the Federal Funds rate range to 1.5 to 1.75 percent. Markets had anticipated the cut, and the positive trade deal headlines in addition to stronger than expected earnings had already pushed the S&P 500 to three consecutive record highs Monday, Tuesday, and Wednesday. Unfortunately, stocks and commodities gave back much of their gains on Thursday. On the brighter side for U.S. exporters, the rate cut helped push the U.S. Dollar back down to recent lows versus competitors' currencies which should provide some "tailwind" for Dollar-denominated commodities.

CROP PROGRESS

Harvesting across the U.S. was ahead of pace at 46 percent versus the 5-year average of 43 percent as reported by NASS. The Southwest and Eastern areas are ahead of schedule while parts of the Midsouth are slightly behind their average as recent rains have slowed the ability to get into the fields. We expect cotton harvest to be in full swing as the vast majority of the crop will be suitable for harvest as drier conditions are forecast in the Southwest region. Cold temperatures and some wind over the last few days will help defoliate any crops that had remaining growth.

COTTON CLASSINGS

Total bales classed in the U.S. has exceeded the 5.5 million bale mark which represents roughly 25 percent of the estimated total production. The Abilene, Lamesa and Lubbock offices have

classed more than 500,000 bales combined for the season. Early qualities have been of mixed staple lengths, but it appears the average staple classed has improved over the last few days. The Corpus Christi office has classed approximately 1.6 million bales, and qualities have remained good. Loan averages remain more than 54.00 cents per pound on average for the South Texas region as reported by USDA.

NOVEMBER WASDE REPORT

There are very few items in agricultural traders' world more important than the monthly WASDE report. The next release is scheduled for November 8 at 11:00 a.m. Central Time. Although the WASDE tends to have a chilling effect on futures activity in the days before the release as market participants go into wait-and-see mode, this report will come right in the middle of Index Fund position rolling and is on the same day that December options expire. Export Sales and the WASDE report will be in central focus as they are released, but activity surrounding those times will necessarily be heavier than usual.

IN THE WEEK AHEAD:

- Monday at 3:00 p.m. Central – Crop Progress and Conditions
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 11:00 a.m. Central – November WASDE and Crop Production
- Friday at 2:30 p.m. Central – Commitments of Traders