



Cotton Market Weekly

OCTOBER 2, 2020

OPEN INTEREST HITS ANOTHER NEW HIGH SINCE FEBRUARY

- Thursday's Price Range Tightest in Six Weeks
- U.S. Dollar Depreciated This Week
- Demand for U.S. Cotton is Broadening
- Traders Monitor Harvest Pace and WASDE Release Next Week

December futures have swung from one end of the recent range to the other this week. Monday's trading made the high at 66.60 cents per pound. Prices fell all the way back to 64.70 cents on Tuesday, but rebounded back above 65.00 cents fairly quickly. By Thursday's close, prices seemed to have made up their mind to sit still. Thursday's range was just 65 points wide, which is the tightest price range in six weeks. December

futures settled at 65.91, up 45 points for the week. Daily trading volumes were relatively light. Open interest increased 1,502 contracts to 222,896, another new high since February.

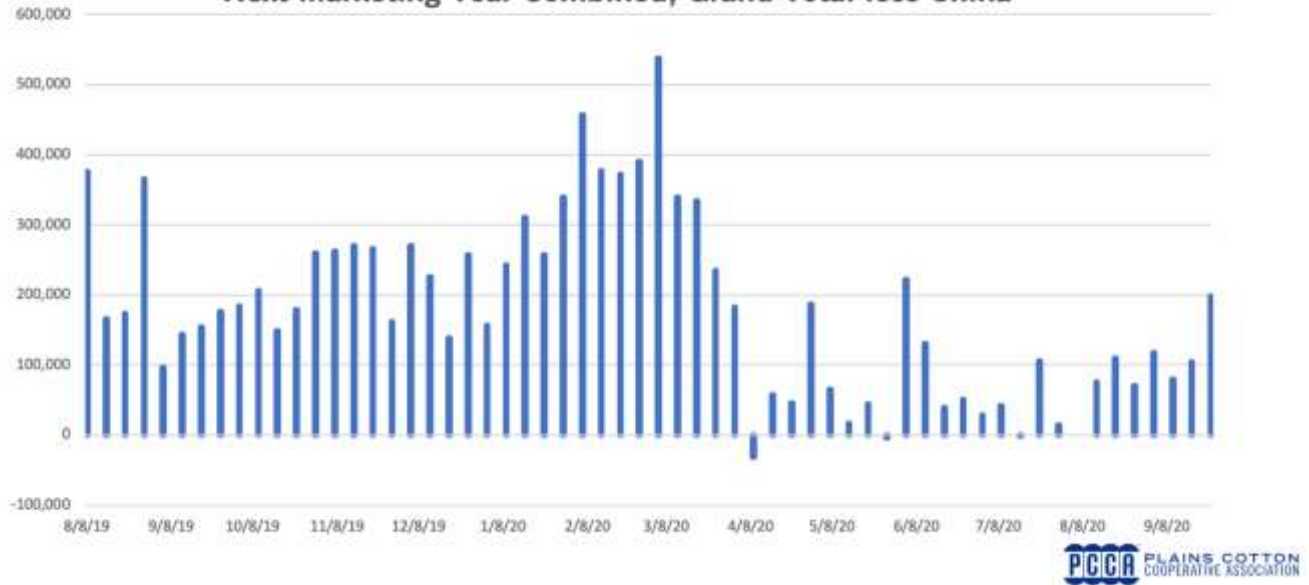
OUTSIDE MARKETS

Stock markets staged a bit of a comeback this week. Major indices regained much of what they had lost in the prior week. Treasury yields made multi-week lows before turning higher in the general pivot back toward “risk on” positioning. The U.S. Dollar ceased its rally and turned back downward this week, depreciating versus major currencies. While the commodity markets had mixed performance this week, grain markets were boosted by Wednesday’s Quarterly Grain Stocks Report from the USDA. Every major category came in significantly below expectations, shocking the market higher. Corn and wheat rallied to new multi-month highs, and soybean prices moved closer to their mid-September peak.

EXPORT SALES

In some ways, this week’s export sales report was the best report we have seen in months. At 233,800 bales, net new sales were nowhere near the highest of this season. However, after excluding sales to China combined current and next marketing year, net Upland sales were the highest since June and the second highest since March. The broadening of demand for U.S. cotton is a welcome sign for traders who have been very concerned that the strong U.S. export demand has been overly reliant on sales to China, but a single week is not yet a trend. Thankfully, shipments have continued at a rapid pace so that cumulative shipments since August 1 are at a record for this time of year.

Upland Cotton, Net New Sales, Current and Next Marketing Year Combined, Grand Total less China



CROP CONDITIONS AND WEATHER

Monday’s Crop Progress and Condition Reports showed a general decline in the Mid-South and Southeast regions where unwanted rains and cloudy weather have dampened crop expectations. Here in the Southwest, Oklahoma’s condition ratings made a sharp improvement, increasing the share of crop rated “good” or “excellent” by 25 percentage points to 62%. Kansas condition moved slightly lower, and what remains of the Texas crop had ratings move from both ends into the central “Fair” category. With 66% of the crop now open, conditions don’t matter quite as much any more. Instead, traders will be closely monitoring how swiftly producers are able to bring in the crop. As of last Sunday, only 13% of the nation’s crop was harvested. Hopefully the current lull in tropical storm activity will continue.

THE WEEK AHEAD

Next Friday brings the October WASDE Report along with the USDA’s Crop Production Report. While traders will keep on eyeing the Atlantic, Crop Progress, Export Sales, outside markets, etc., nothing really matters more to cotton traders’ supply and demand outlook than the WASDE Report. The impending report tends to dampen trading activity in the lead up to its release, as few traders want to risk too much when

something unexpected may show up. In any case, next Friday's WASDE is the focal point of greatest concern in the week ahead.

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
- Friday at 11:00 a.m. Central – WASDE and Crop Production