



OCTOBER 4, 2019

FUTURES PRICES GAIN 132 POINTS THIS WEEK

- Open Interest Increases
- Crop Progress Ahead of Averages
- USDA Reports Weekly Export Sales and Shipments
- U.S. Economic Data Gloomy
- Supply and Demand Estimates Coming

December futures prices were able to scratch out successively higher highs in four of the last five sessions, touching a high of 62.91 cents per pound briefly on Thursday before settling at 61.60 cents, up 132 points on the week. Daily trading volumes were fairly low for most of the week but surged on Thursday as the market attempted to return to the September 12 high of 63.39 cents per pound. Open interest has continued to climb as new buyers were entering the market. Open interest was up 2,106 contracts for the week to 236,401 which is the highest level since February.

SPOT MARKET

The Seam's G2B platform traded 12,776 bales for the week, an increase of 8,576 bales compared to the previous week. The average price of 55.51 cents per pound was 192 points higher than the previous week's average. The average premium over the CCC loan was 3.19 cents per pound and 6 points lower than the previous week. Bales offered for sale increased 657 bales to about 90,382 including approximately 38,200 bales of 2019-20 crop.

CROP PROGRESS AND CONDITIONS

Harvest has begun in most regions of the country, although rains have delayed preparation of the crop here in West Texas. Across the Cotton Belt, boll opening is at 77 percent versus a five-year average of 67 percent, and USDA reported harvesting is 16 percent complete versus a five-year average of 14 percent. Healthy progress in the Mid-South and Southeast also is expected on Monday's report. Overall, the condition of the crop did not change much from the previous week.

SOUTH TEXAS CLASSING DATA

USDA's Corpus Christi Classing Office had classed almost 1 million bales through October 3. Qualities remain excellent with more than 85 percent of the samples classed on the season are of quality that is tenderable for delivery on the ICE No. 2 futures contract. The average loan value remains more than 54.00 cents per pound for the season.

EXPORT SALES

Net new exports sales of Upland cotton were 177,800 bales for the week ended September 26, and exporters reported 154,700 bales of shipments. Both figures were at about seasonal norms for the ninth week of the marketing year. Large buyers included Pakistan (62,900 bales), Vietnam (24,000), Indonesia (21,500), and Turkey (18,200). Even China appeared as a buyer for 11,400 bales, although there were 400 bales that switched away from China to Indonesia and 1,300 bales of sales were cancelled. Outstanding (unshipped) sales remain quite high as new orders outnumbered shipments. Season-to-date (since August 1) shipments are up 372,000 bales from where they were last year at 1.82 million bales.

OUTSIDE MARKETS

Stock markets tumbled this week. U.S. economic data releases painted a fairly glum outlook with a handful of closely watched indicators under performing expectation by a significant margin. With the backdrop of violent protests in Hong Kong, an impeachment inquiry in the U.S. and the continuing saga of Britain's exit from the European Union, one can hardly blame investors for taking some money off the table. The Dow-Jones Industrial Average fell from more than 27,000 to less than 25,800 before seeming to stabilize on Thursday. Treasury yields also fell as traders left their risk positions behind and began to renew bets that the Federal Reserve would have to continue lowering interest rates. Accordingly, the U.S. Dollar fell slightly from recent highs, which provided a small amount of relief to some commodity markets.

OCTOBER SUPPLY AND DEMAND REPORTS

USDA will release its October Crop Production Report and updated World Agricultural Supply and Demand Estimates (WASDE) on Thursday, October 10 at 11:00 a.m. Central Time. That also happens to be the first day of scheduled trade talks between China and the U.S. Cotton traders likely will be fairly conservative ahead of both the USDA's reports and the trade talks upon which future market direction seems to depend. Attention also will focus on crop weather, Monday's Crop Progress and Conditions Report, and Thursday morning's export sales report.

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 11:00 a.m. Central – WASDE and Crop Production
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 2:30 p.m. Central – Commitments of Traders