



# Cotton Market Weekly

**JUNE 5, 2020**

## **PRICES MOVE ABOVE 60 CENTS FOR FIRST TIME SINCE MID-MARCH**

- Stock Indices Continued to Rocket Higher
- USDA Reported 66 Percent of U.S. Cotton Crop Planted
- June WASDE Expected Next Week

July futures prices touched a two-week low of 56.56 cents per pound last Friday, but surged higher at the start of this week. Prices rallied sharply Monday, taking prices above 60 cents for the first time since mid-March. Activity calmed significantly as the market touched 61.15 on Tuesday, the week's high. Daily trading volume had been very heavy early in the week, but grew much quieter on Wednesday and Thursday, and prices stayed mostly in the range from 59.70 to 60.70 cents until finishing the week at 60.00 even, up 243 points for the week. Open

interest climbed as high as 192,454 on Monday, but fell back to 186,101 which was just 119 higher from last Thursday's close.

## **OUTSIDE MARKETS**

Despite growing U.S.-China tensions over Hong Kong and nationwide protests in the U.S. that closed many downtown areas (or prevented their reopening), stock indices continued to rocket higher. The Dow Jones Industrial Average is at its highest since March 2, and the same is true for the S&P 500. Investors seemed deeply cheered that re-opening continues and that U.S. tensions did not imperil the Phase 1 trade deal, as was feared. Chinese purchases of soybeans continued on Monday despite headlines saying state-owned buyers had been told to stop purchases. The market did seem to falter Thursday as higher than expected continuing jobless claims and a negative outlook from the Congressional Budget Office regarding the speed of economic recovery.

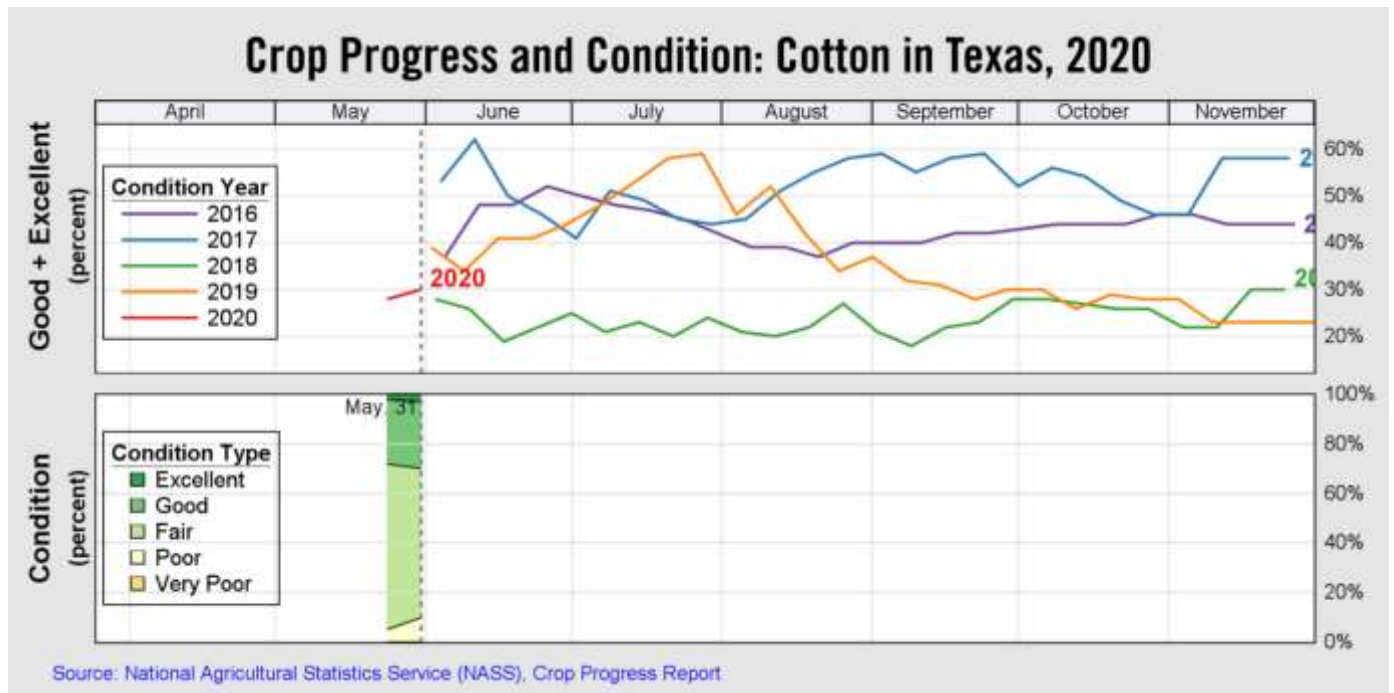
## **EXPORT SALES**

This week's Export Sales Report was not much different from recent weeks' activity, with the notable exception that it lacked any large new orders from China and Vietnam. With those destinations largely absent, there were net reductions of 10,100 bales for the 2019/2020 marketing year and just 12,400 new sales for the 2020/21 season. Shipments were just 237,900 bales, well below the hoped for 300,000 that they need to average to hit the USDA's current 15.0 million bale target.

## **CROP PROGRESS AND WEATHER**

As of last Sunday, the USDA reported that 66 percent of the cotton crop has been planted. The northern parts of the Memphis territory are still the laggards, while the Texas territory remains ahead of normal pace. For the entire Cotton Belt, eight percent of the crop is now reported squaring. Texas is at 13 percent versus a five-year average of nine percent. The initial crop condition reading shows 44 percent of the crop in "good" or

“excellent” condition and 48 percent “fair”. Only eight percent was rated “poor” or “very poor”. South Texas cotton has received favorable rains for the past few weeks, but the forecast for West Texas remains hot and dry. Unfortunately, the weather outlook is not very favorable for the Southwest. At least some areas in the Cotton Belt will get rain this week, but perhaps too much. Tropical Storm Cristobal seems to be on a path straight up the Mississippi.



## THE WEEK AHEAD

The June WASDE report comes out next Thursday. Weather, export sales, and the rest will still get plenty of attention, but nothing really compares to the monthly WASDE report. In addition to that, index fund rolling will continue throughout the week and traders with any position left in the July contract will be focused on how those flows impact the market. Lastly, next Friday is July options expiration and will drive even more traders to exit July.

## 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 11:00 a.m. Central – WASDE Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call