



**DECEMBER 6, 2019**

## **TRADING ACTIVITY REMAINS IN PREVIOUS WEEK'S RANGE**

- Export Sales Lower
- Alternating Positive and Negative Headlines on U.S./China Relations
- U.S. Harvest Progressing
- December WASDE Report Release Next Week

March futures settled at 64.51 cents per pound on Thursday, down 130 points for the week (i.e. since the Wednesday before Thanksgiving). Despite the week-over-week decline, trading activity remained well within the previous week's range. The high of the week was 65.98 cents on Monday and the low was 64.02 cents on Tuesday. Trading volumes were a bit lighter than in

recent weeks and open interest declined 2,000 contracts to 197,012.

## **SPOT MARKET ACTIVITY**

Through late Thursday afternoon the Seam's G2B platform traded over 30,000 bales over the past five trading days. The average price received by producers was 57.15 cents per pound, down 176 points from the previous week's average. The average premium over the CCC loan was 5.77 cents per pound, 52 points less than the previous week. Bales offered for sale by growers stood at 251,000.

## **EXPORT SALES AND SHIPMENTS**

Export Sales for the week ended November 28 were lower than in recent weeks, but that isn't surprising since Thanksgiving shortened the reporting period. Despite many traders' vacations, U.S. exporters were still able to put together net new sales of 163,700 bales of Upland cotton, and were able to actually ship 166,700. Major buyers included Bangladesh (65,100 bales), Vietnam (34,500), and Pakistan (12,800). Fourteen destination markets were active, which is a healthy breadth of interest. Outstanding sales and shipments are both ahead of last year, implying that the USDA's current export forecast of 16.5 million bales still looks reasonable so far.

## **U.S./CHINA RELATIONS**

The market has been whiplashed by alternating positive and negative headlines regarding U.S.-China relations. On one hand, the passage of the Hong Kong human rights and democracy act was expected to anger China, which it did, and President Trump's comment that he may wait until after the election to make a deal were taken as very bad signs. On the other hand, China seemed to keep their anger at the U.S. position on Hong Kong separate from their feelings on trade and both sides have continued to make public comments that negotiations are

progressing. Nothing is solved until the deal is made, but the next major milestone traders are watching is the approach of December 15, when tariffs that would be cancelled in the case of a deal are scheduled to take effect.

## **U.S. ECONOMIC DATA**

Mixed economic data also added uncertainty to the mix this week. While the U.S. trade deficit declined and jobless claims were less than expected, U.S. manufacturing and construction readings were worse than expected. Additional discussion of tariffs on Argentina, Brazil, and France did not help either. With investment confidence at a low amidst the uncertainty, the U.S. Dollar declined to its lowest level in a month versus developed economy currencies. This still has not removed the headwind that U.S. exporters face as emerging market currencies and commodity competitor currencies are still relatively weak.

## **CROP PROGRESS**

The majority of the U.S. Cotton Belt is closing in on the final 10 - 15 percent of harvesting at weeks end. Most industry guesses are that Texas and Oklahoma have harvested an estimated 85 percent, and Kansas roughly 75 percent. If the weather stays clear in West Texas some gins will be finishing up ginning around Christmas. The majority of the gins in the southwest region will continue to run into 2020.

## **COTTON CLASSINGS**

The Corpus Christi Classing Office is approaching 2 million bales classed with the majority of qualities remaining good. The Abilene Classing Office has classed over 500,00 bales with the predominant qualities being excellent. In Lamesa they have classed over 600,000 bales for the season and, in Lubbock the classing office has classed over 1.5 million bales. For the U.S. on the season about 80 percent is tenderable for delivery on the

ICE No. 2 contracts as reported by USDA with over 12 million bales classed.

## **LOOKING AHEAD**

As far as market focus is concerned, nothing really compares with the importance of the monthly WASDE report. USDA may not get it right every time, but there is almost no one with a better track record or more respected figures, and the December report will be released next Tuesday, December 10 at 11:00 a.m. Central Time. Expectations are generally for lower production, but there are expectations of lower consumption in several countries as well. Outside of the WASDE, next week's export sales figures should help confirm if the current report was a slowdown in demand or a holiday blip. And, as always, significant vigilance will be expended in watching for any news about a trade deal with China.

## **IN THE WEEK AHEAD:**

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