



OCTOBER 6, 2023

DECEMBER FUTURES FOLLOWED OUTSIDE MARKETS FOR THE WEEK ENDING OCTOBER 5

- Slew of Activity Caused Major Indexes to be Mixed
- Healthy Demand for U.S. Cotton Reported for Week Ending September 28
- As of October 2, 18% of the U.S. Crop has been Harvested

The cotton market traded on both sides of last Thursday's settlement throughout this week, lacking direction from fundamentals and instead traded on outside market news and reports. Major indexes were under pressure much of the week, crude oil experienced a substantial decline, and cotton prices followed. Despite the strongest week of sales reported in over a

month, the market chose to ignore the encouraging report and finished lower on Thursday. For the week ending October 5, December futures settled at 86.54 cents per pound, down 217 points from the week prior and staying in the middle of the recent trading range. Certificated stock remains at the highest level seen since October 2021, increasing 4,691 bales to reach 39,817 bales. Total open interest also continues to rise, and 11,320 contracts were added to reach 251,643.

Outside Markets

Outside markets struggled to find direction this week due to mixed economic news and governmental actions. Much to the surprise of many, a government shutdown was narrowly avoided late Saturday night. Despite avoiding what many thought inevitable, the Speaker of the House was removed from the speakership, leaving the House of Representatives without a formal leader. The talks of the shutdown pressured markets going into the weekend, and the pressure continued through most of the week. A slew of economic data released this week caused the sell-off, but it eased mid-week. Crude oil's rally came to an end this week, reaching a 5-week low and erasing last month's gains. Jobs data continues to be mixed. The September ADP employment report showed a slowdown in the labor market, but initial unemployment claims came in below expectations. The U.S. Dollar soared to a 11-month high during the week, putting additional stress on the commodity market. It seems like every week the sentiment around the Fed rate decision changes. Based on the release of data this week, it appears more likely that the Fed will have another increase in interest rates before the end of the year and hold rates higher for longer.

Export Sales

For the week ending September 28, the U.S. Export Sales Report showed a healthy amount of demand for U.S. cotton. A net total of 240,000 Upland bales were booked, up substantially when compared to previous weeks, and 6,500 Pima bales were booked. The biggest buyer of Upland cotton was China with 126,200 bales, followed by Vietnam with 68,600 bales, Macau with 17,300 bales, Mexico with 14,000 bales, and Thailand with 6,300 bales. Despite one of the better sales reports we have seen this year, the market struggled to find direction throughout the day. Shipments continue to stay below the pace needed to reach the USDA estimate of 12.3 million bales. A total of 149,600 Upland bales and 5,100 Pima bales were booked for the week.

Weather and Crop Progress

Isolated storms were present across much of the Southwest this week, bringing along rain and hail in some areas. While the moisture was needed for the dry soil, there was some damage to cotton that was open. Harvest was also delayed in parts of West Texas, Oklahoma, and Kansas. The upcoming week should bring more favorable weather, allowing harvest to resume. As of October 2, the U.S. was right in line with the 5-year average pace of harvest, with 18% of the U.S. crop now harvested. The overall condition of the crop in the country deteriorated slightly. While the amount of cotton rated good and excellent throughout the country remained the same, there was a noticeable increase in the amount rated very poor.

The Week Ahead

The market eagerly awaits the release of the World Agricultural Supply and Demand Estimates (WASDE) Report on October 12. The Chinese market reopens next week, which will likely bring a

little more action back to the cotton market. There is also a federal holiday on Monday. While the market will remain open, the weekly reports used to gauge supply and demand will be delayed.

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