



**NOVEMBER 8, 2019**

## **FUTURES REMAIN IN TIGHT RANGE DESPITE HEAVY TRADING VOLUME**

- Index Fund Rolling Primary Activity
- Export Sales Improve
- Positive News from Trade Negotiations
- Harvest Ahead of Pace

December futures have traded actively but kept within a fairly tight range from 63.45 to 64.98 cents per pound. Thursday's settlement price was 64.35 cents, down just 9 points for the week. This week's heavy volume stemmed mostly from Index Fund rolling activity (i.e. the simultaneous selling out of December futures and buying of new March positions), but they were not the only participants in the market. Open interest grew 4,400 contracts to 248,399 since last Thursday, revealing new buyers and sellers continue to enter the market.

## **EXPORT SALES AND SHIPMENTS**

Export sales were stronger this week. Although another 70,500 bales sold to Indonesia were re-slotted for shipment next marketing year, net new sales of Upland cotton were still 164,500 bales for delivery in 2019-20 and 118,600 for 2020-21. Pima sales and total U.S. commitments to the export market also are healthy. Shipments were slightly lower this week at 129,700 bales of Upland and 5,500 bales of Pima. This week's biggest buyers included Pakistan (95,100 bales), Vietnam (45,100), Turkey (33,200) and China (23,500). New sales to China were a welcome surprise.

## **SPOT MARKET ACTIVITY**

As of late Thursday afternoon, The Seam's G2B platform traded 12,724 bales for the week. The average price received by producers was 58.49 cents per pound, 2.20 cents less than the previous week's average. The average premium over the CCC loan was 6.05 cents per pound, 1.60 cents lower than the previous week. Bales offered for sale by growers stood at approximately 110,700 bales late Thursday (80,687 bales of 2019-20 crop were offered).

## **TRADE NEGOTIATIONS MAKE PROGRESS**

A new time and place for Presidents Xi and Trump to sign the "Phase 1" trade deal that is still under negotiation has not yet been announced which has put some uncertainty back into the market. Both sides continue to make positive mention of the negotiations to the media, and on Thursday morning it was announced that both sides had agreed to cancel planned tariffs and roll back others if they are able to make a deal. The continuous drip of positive headlines helped push the stock markets to new all-time highs this week despite some mixed economic data. For now, the market's consensus seems to be that the first part of the deal is coming and that it will be enough to counter any economic weakness near-term.

## **CROP PROGRESS**

Harvesting across the U.S. was ahead of pace at 53 percent versus the 5-year average of 51 percent as reported by NASS as of November 3. The Southwest and Eastern regions of the U.S. remain ahead of schedule while parts of the Mid-south are slightly behind their 5-year average as they are catching up from recent rains. Many areas in West

Texas and Oklahoma received 1/2 inch to several inches of rain over the last few days. Wind and temperatures going forward will determine how long the delay will be before getting back into the field.

## **COTTON CLASSINGS**

The Corpus Christi office has classed more than 1.7 million bales, and qualities have remained good. Abilene, Lamesa and Lubbock classing offices combined classings are approaching 1 million bales. Total bales classed in the U.S. stands at approximately 7 million bales which represents about one-third of the estimated total production. Total bales classed for the U.S. on the season have average loan rates over 54.00 cents per pound as reported by USDA.

## **LOOKING FORWARD**

With the WASDE behind them, traders will resume following the daily classing reports, weather and weekly export sales data. Index fund rolling also will finish next week, and the approach of December futures' First Notice Day means mills and producers will be focused on pricing remaining on-call commitments. Of course, traders will continue vigilantly scanning for any news of a trade deal. Just the announcement of a new time and place for a signing likely would be taken as good news.

## **IN THE WEEK AHEAD:**

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