



PLAINS COTTON
COOPERATIVE ASSOCIATION



Cotton Market Weekly

FEBRUARY 10, 2023

COTTON MARKET HAD A BUSY WEEK

- Outside Markets Had a Mixed Week
- Export Sales Report Showed Highest Level of Sales for Marketing Year
- WASDE Held Few Surprises

The past week was a busy week in the cotton market, with many noteworthy fundamental factors taking place. Futures went into the weekend pressured from a strong jobs report. The downward pressure, paired with geopolitical issues, continued to start the week pushing cotton futures lower for the second day. Prices rallied Tuesday as the S&P GSCI Roll Period began with volume jumping to the highest level since February 2021. Wednesday, the release of the WASDE had the market moving back and forth

before eventually settling slightly lower for the day. Although the Export Sales Report showed the best week of sales for the marketing year, it did little to help boost the market. March futures closed at 85.50 cents per pound for the week ending February 9, down 89 points from last week. With First Notice Day coming up, focus will begin to shift to the May contract. May futures also fell from the week prior finishing the week at 85.94 cents, down 116 points. After reaching the highest level since November 2021, total open interest eventually declined 2,573 contracts to finish the week at 207,843.

Outside Markets

The rally observed in stocks to start the year began to slow and resulted in a mixed week in outside markets. A strong jobs report released last Friday caused a sell-off in stocks, strengthened the dollar, and pressured commodities. The strong jobs report, along with the interest rate increase announced last week, kept outside markets shaky throughout the week. The tight labor market is a strong indicator that interest rates may be kept higher for longer. Initial jobless claims were reported at 196,000 on Thursday, which was higher than expectations, but still at a historically low level. News about the Chinese balloon being shot down in the U.S. and the devastating earthquakes in Turkey weighed on markets throughout the week. The Dollar Index erased much of the previous months decline upon the stronger economic news before receding after the release of unemployment claims to finish the week.

Export Sales

For the week ending February 2, the Export Sales Report showed the highest level of sales for the current marketing year, with exporters booking 262,800 Upland bales. The largest

buyers included China (87,700 bales), Turkey (72,600 bales), Vietnam (45,300 bales), and Indonesia (16,600 bales). While shipments were strong at 210,000 bales, it is still below the pace needed to reach the USDA export estimate of 12 million bales. Pima sales increased compared to last week with a net total of 1,400 bales sold for the current crop year. Shipments, however, were down slightly with exports of 5,800 bales reported.

While there was a frenzy of news in the cotton market, possibly the most significant for the week was the upsetting news of the earthquakes that occurred in Turkey and Syria. The earthquakes caused devastating damage, including the areas responsible for the majority of cotton imports. Understandably, this will impact upcoming sales and shipments into Turkey. Our thoughts are with those impacted by these earthquakes.

WASDE

The World Agricultural Supply and Demand Estimates (WASDE) held few surprises on the report that came out February 8. The previous reports for the marketing year have contained changes that shocked the market, so having one in line with expectations was refreshing. The U.S. side of the balance sheet held minor changes with consumption decreasing to 2.1 million bales and ending stocks increasing to 4.3 million bales. The U.S. crop was kept at 14.68 million bales and exports stayed the same at 12.0 million bales. The February WASDE usually holds minor revisions for the U.S. and while it was ideal to see the numbers reported as expected, it is still believed production is too high and exports are too low. Revisions are expected on the March report.

The global side of the balance, however, did have a few noteworthy changes. The Indian crop was decreased 1 million

bales to 25.5 million bales. In turn, global consumption decreased 190,000 bales to 110.66 million bales and ending stocks were decreased 850,000 bales to 89.08 million bales.

The Week Ahead

The National Cotton Council (NCC) will have their annual meeting over the weekend, which includes the release of their Planting Intentions Survey and economic outlook for the upcoming year. Compared to grains, cotton has not been competing well throughout the year, which will likely reduce the acres of cotton planted in the U.S. The NCC survey will be a good baseline on where cotton acres are expected to be for the upcoming year. Aside from that and traders being aware of the upcoming First Notice Day, the usual macroeconomic news and cotton specific reports will be monitored throughout the week.

In the Week Ahead:

- Friday at 2:30 p.m. Central – Commitments of Traders
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton On-Call