



FEBRUARY 15, 2019

COTTON FUTURES FALL 233 POINTS

- **More Acres Expected in 2019**
- **Exports Better Than Expected**
- **Economic Data Disappoints**
- **Delayed Reports Still a Hurdle**

It was another rough week for cotton futures. Price fell sharply on Monday as traders continued to shift their [positions](#) forward from the March contract to the May contract. Heavy selling pressure sent March futures below 70.65 cents per pound Monday, and prices continued downward to the week's [low](#) of 69.53 cents on Thursday morning. March futures finished the week at 70.22, down 233 points from last Friday. May futures now have the highest [open interest](#) and the majority of traders' attention. May finished the week at 71.86, down 183 points.

NCC SURVEY RESULTS

The National Cotton Council's Economic Outlook and Planting Intentions Survey results seem to have received the blame for this week's decline. The NCC's survey showed U.S. planted acres increasing 2.9 percent to 14.45 million acres in 2019. Southeast respondents intended to plant 2.6 percent less, but producers in the Far West responded with 2.9 percent higher upland planting and 6.3 percent higher ELS. Southwest producers were inclined to add 2.2 percent. The big increase was expected in the Mid-South, where survey respondents indicated acres would rise 13.6 percent. Based on the higher plantings and a projection of lower than average abandonment, the NCC forecast U.S. production at 22.7 million bales. If realized, production would be the highest since 2005-06. With exports forecast at 17.45 million bales and domestic use at 3.25 million bales, 2019-20 ending stocks were forecast at 6.1 million bales, the highest since 2008-09.

LATEST EXPORT REPORT

On the demand side of the market, this week's export sales report, which covered sales through January 3, was better than expected. Net new sales totaled 299,800 bales and shipments were 181,100. Major buyers included Pakistan (130,300 bales), Turkey (37,100), Vietnam (28,000), and Malaysia (15,000). As of January 3, total export sales including Pima were 11.34 million bales versus the USDA forecast of 15.0 million statistical bales on the February WASDE report. Next week's report, which will be released Friday following the President's Day holiday, will catch up the reporting schedule by including all sales and shipments made from January 4 through February 14.

RETAIL SALES DECLINE

Outside markets collectively sighed in relief as the U.S. government averted a shutdown. The relief seems to have overwhelmed would-be negative impact of poor economic data. December retail sales were down 1.2 percent on a seasonally adjusted [basis](#), which was the worst drop since 2009. Clothing sales were down 0.7 percent versus November on a seasonally adjusted basis but still up 4.7 percent year over year. In another sign of slower demand, the Consumer Price Index was unchanged in January. Jobless claims ticked up to 239,000, up 4,000 versus last week, and January factory output declined 0.9 percent, with motor vehicle production falling the most since the recession. Lastly, U.S. import prices also fell in January, down 1.7 percent year-over-year. On the other hand, consumer sentiment jumped back above expectation

in January, with analysts citing the end of the government shutdown and the pause in Federal Reserve interest rate hikes noted as the main reasons. With a lack of price pressure and jobless claims rising, it may be that stocks are rallying because the Fed looks increasingly unlikely to resume hiking interest rates any time soon.

REPORTS STILL CATCHING UP

Although we are past the roll period and most positions have been moved to May, traders will still be focused on cleaning up any remaining on-call business against March futures. The slow release of On-Call reports and Commitments-of-Traders data has not yet caught up, so the market is still focused on that data as it comes out. Next week's data will also feature USDA's Ag Outlook forum, at which the government will release its first estimates for next year's production. Some variation from the NCC planted acreage estimate is expected, but the starting point is usually no more than a few thousand acres off. Traders will be expectantly awaiting the Friday morning release of the Export Sales "catch-up" report which will show demand over the past six weeks. The news is especially important to get the market back on track in terms of gauging recent demand. Aside from these factors, the U.S.-China trade negotiations continue, and market sentiment on those issues will continue to have a large impact on day- to-day price movement.

IN THE WEEK AHEAD:

- Monday- President's Day- Exchange Closed
- Tuesday at 2:30 PM Central – Cotton On-Call as of January 25, 2019.
- Wednesday at 2:30 PM Central – Commitments of Traders as of January 29.
- Thursday at 2:30 PM Central – Cotton On-Call as of January 18, 2019.
- Friday at 7:30 AM Central – Exports Sales Report for six weeks ending February 14.
- Friday at 2:30 PM Central – Commitments of Traders as of January 15.