



MARCH 15, 2019

FUTURES RALLY THREE DAYS THIS WEEK

- **Market Monitors Trade Dispute Reports**
- **Uncertainty Weighs On Demand, Reflected In Export Sales Report**
- **Traders Watching Weather And Other Factors**

Futures rallied to their highest level since January 31 this week. Prices shot up Tuesday and Wednesday, fell Thursday and rallied again on Friday. Fortunately, may futures finished the week at 75.50 cents per pound, up 201 points from last Friday. Notably, open interest gained just 222 contracts over the past five sessions to 220,981. The small change in open interest combined with the rising prices implies old short positions were being eagerly closed.

TRADE NEWS AND LEAKED INFORMATION

Market action continues to reflect the swings in market sentiment caused by news coverage of the U.S.-China trade dispute. Alternating interpretations of leaked information whipsawed all markets. Analysts started off worried that China had been too frightened by President Trump's willingness to walk out on the North Korea summit and were terrified that he may do the same to President Xi. Since "losing face" in such a public manner would be insufferable, the summit was delayed. However, China's passage of a foreign investment protection law on Friday addressed several key U.S. concerns and signalled China's willingness to make real and meaningful reforms. The week also ended with positive comments about "concrete progress" from high-level officials, which helped the market rally as we headed into the weekend.

EXPORT SALES DECENT BUT NOT GREAT

Trade uncertainty continued to weigh on demand last week, as well. The U.S. Export Sales Report showed decent demand for U.S. cotton, although it was nothing spectacular. In the week ended March 7, exporters made new sales of 193,300 upland bales, but also cancelled 27,100. Net new sales were 166,100 bales. Only 287,000 bales of shipments were reported last week, slower than the average needed to hit USDA's current export target. The slowdown likely reflects mill-requested delays, which could affect this year's total exports. Fortunately, there was at least one very positive piece of information on the report. China was the week's largest buyer with 49,300 bales of net new orders. China's reappearance bodes well for sales and certainly caught traders' attention.

WATCHING AND WAITING

Traders will be watching for the usual reports and signals in the week ahead. Weather is gaining in importance as the eastern half of the cotton belt nears its usual planting season. Fields are still far too wet in the mid-south and further rain could prevent corn planting, thus increasing cotton and soybean acres where producers have the capacity to choose. Next week's export figures also will get the usual close attention, but the uncertainty of the U.S.-China trade

dispute currently dwarfs all other factors. The market has grown far more positive about the details, and the mere announcement of a meeting date for Trump and Xi is likely to be regarded as a sign that the deal is done since China is not willing to schedule a high-profile visit without the certainty of a deal. Even after such an announcement, caution is still warranted since facts and details will need close scrutiny. Trade news continues to be the most likely factor to influence prices for the near future.

IN THE WEEK AHEAD:

Thursday At 7:30 A.M. Central – Export Sales Report

Thursday At 2:30 P.M. Central – Cotton On-Call

Friday At 2:30 P.M. Central – Commitments Of Traders As Of March 19