



**NOVEMBER 15, 2019**

## **HIGH TRADING VOLUME FAILS TO MOVE FUTURES PRICES**

- Position Rolling Main Feature
- WASDE Contains Dramatic Changes
- Trade Uncertainty Continues
- Market Notes Poor Economic Data

Cotton futures trading volumes were at record highs this week, but the heavy activity failed to lead to much change in prices. Index fund position rolling provided a large share of the volume and open interest has shifted toward the March contract. December futures traded between 63.61 and 65.06 cents per pound, staying entirely within last Friday's range. On Thursday, December settled at 64.27 cents, down 8 points for the week. March futures are trading higher than December but were still range bound between 65.50 and 66.93 cents.

## **WASDE AND CROP PRODUCTION REPORTS**

Last Friday, USDA released the November WASDE and Crop Production reports. Crop Production showed some dramatic changes to the U.S. crop this year as the Texas Upland crop was lowered 700,000 bales to 7.1 million, Oklahoma reduced 110,000 to 730,000 and Kansas reduced 40,000 to 280,000. Overall, U.S. production was cut 888,000 bales to 20.817 million. The WASDE report revealed that USDA still expects the U.S. to ship 16.5 million bales to the export market, and thus reduced U.S. ending stocks to 6.1 million bales from 7.0 million.

Production cuts in the rest of the World helped to support USDA in maintaining the U.S. export target. India's crop estimate fell 500,000 bales to 30.0 million. Turkey's crop fell 300,000 bales to 3.8 million, and Pakistan's declined 600,000 to 7.0 million. China's production also was cut 500,000 bales to 27.25 million. By contrast, world demand was only 150,000 bales lower at 121.49 million. With so many destination markets suffering production problems, it seems USDA made the right call to keep U.S. exports unchanged. World ending stocks were reduced 2.89 million bales, to 80.80 million.

## **NEGATIVE TRADE NEWS**

Uncertainty about the U.S.-China trade war continues to dominate trading news. The headlines this week were more negative, focusing on "sticking points" in the negotiations. The removal of tariffs and the quantity of agricultural purchases to be made are still in discussion, but the stories surrounding the negotiations are fairly thin on facts. Nevertheless, it is clear to traders and analysts that no new date or location for a signing ceremony is set which means the uncertainty lingers.

## **ECONOMIC DATA FOR U.S., CHINA AND OTHERS**

Economic data also has been fairly poor this week. In the U.S., inflation was slightly higher than many had hoped or expected and so were new jobless claims. China also showed slower growth in industrial production and fixed asset investment. India and Europe posted negative figures, too. The overall picture has some warning lights blinking, but not brightly enough to keep stocks from posting a new record high this week. With the U.S. still outperforming peers, the value of the U.S. Dollar also has

continued to soar. U.S. Dollar strength continues to be an unfortunate headwind for commodity markets.

## **CHINA'S RESERVE TO BUY DOMESTIC COTTON**

On a more cotton specific note, China has announced that its reserve will purchase up to 500,000 metric tons (approximately 2.2 million bales) of cotton from its own growers in Xinjiang in a daily purchase process from December 2 through March 31. The news caused Chinese cotton markets to rally sharply, but there is some doubt whether the purchases will have much effect on U.S. prices without a trade deal.

## **MILL AND PRODUCER FIXATIONS AHEAD**

The cash market will continue to be a focal point for many traders this week. Mills and producers with open positions to fix against December also will need to do so by the end of trading on the 21st to avoid First Notice Day when sellers can issue notice of delivery and price limits go away. Export sales will be a point to watch as well, but trade deal news will continue to exhaust any spare attention traders have.

## **SPOT MARKET PRICES UP**

As of late Thursday afternoon, The Seam's G2B platform traded 21,110 bales for the week. The average price received by producers was 59.26 cents per pound, up 77 points from the previous week's average. The average premium over the CCC loan was 6.91 cents per pound, 85 points higher than the previous week. Bales offered for sale by growers stood at 133,320 bales.

## **CROP PROGRESS**

Harvesting across the U.S. remains slightly ahead of pace at 62 percent versus the 5-year average of 59 percent as reported by NASS as of November 10. Texas, Oklahoma, and Kansas all remain at, or ahead of their 5-year averages as well.

## **COTTON CLASSINGS**

Classings for the U.S. crossed the 8 million bale mark this week. Predominant qualities over the last several days have been Color 41, Leaf 3, Micronaire 4.5, and staple over 36. Classings for the Southwest region have exceeded 3 million bales combined. Color, Leaf, and

Micronaire qualities are good in most areas, and average staple continues to improve.

## **IN THE WEEK AHEAD:**

- 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
- Friday at 2:30 p.m. Central – Commitments of Traders