



**SEPTEMBER 18, 2020**

## **FUTURES PUT IN STRONG SHOWING THIS WEEK**

- Stocks Traded in Calm, Two-Sided Fashion
- Export Sales Report Showed Impressive New Upland and Pima Sales
- Hurricane Sally Hit Alabama-Florida Border Coast

Futures put in a strong showing this week. After finishing unchanged on Friday, futures rallied sharply on Monday with high volume and a surge in open interest. The market set a new high on Tuesday at 66.93 cents per pound before prices began to trade in a more sideways fashion. December futures settled at 65.85 cents on Thursday, up 104 points for the week. Daily trading volume was strong Monday and Tuesday but fell back to average later in the week. Open interest hit a fresh post-COVID high at 221,972, adding 5,280 contracts.

## **OUTSIDE MARKETS**

Stocks put in a rare performance this week by managing to trade in a relatively calm, two-sided fashion. The Federal Reserve assured the country that rates will be held near zero for a few more years, which is both a comfort to those needing access to cheap credit and a bother to analysts who see the Federal Reserve underscoring that we have a longer, harder recovery ahead than any of us would like. Treasury yields remain low, revealing investors preference for safety. At the same time, the U.S. Dollar continues to weaken versus other major currencies, which will help to make U.S. goods cheaper in export markets.

## **EXPORT SALES**

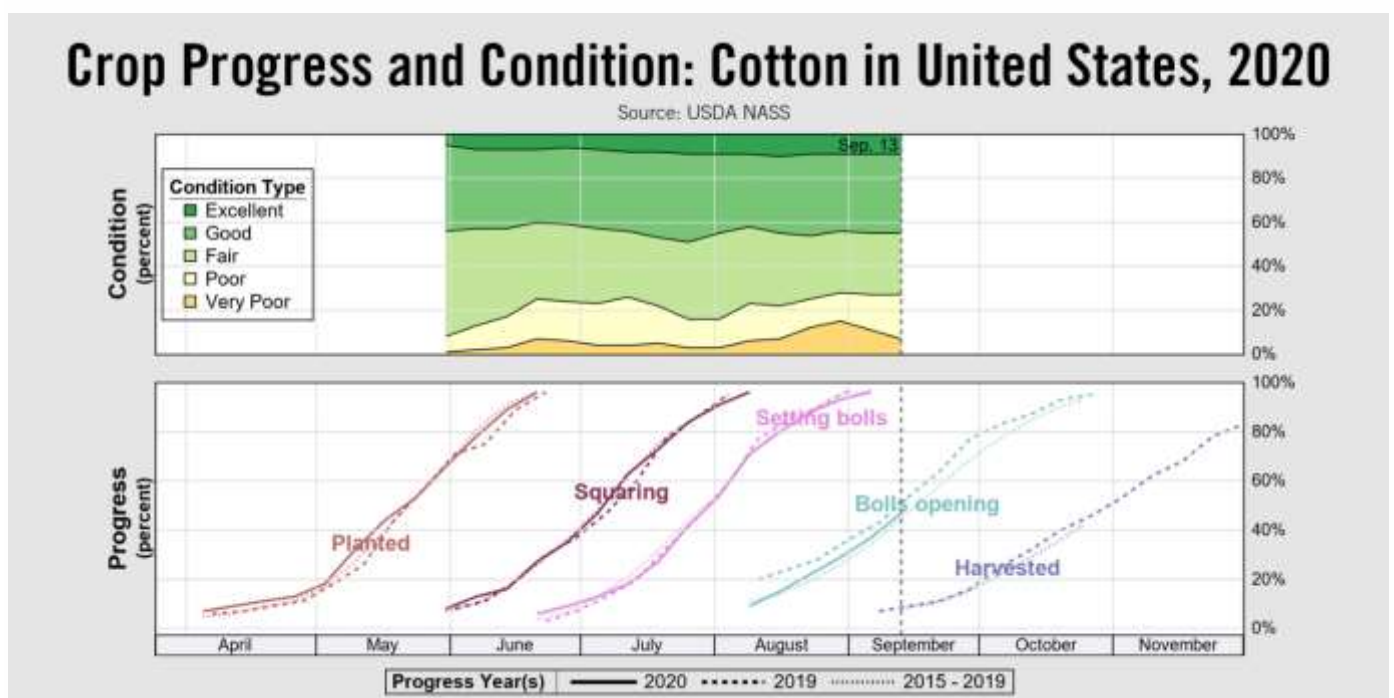
This week's export sales were an impressive 519,600 bales of net new Upland sales and 28,000 bales of Pima. The bulk of the new sales were for China, which ordered another 440,900 bales of Upland and 12,600 bales of Pima. Mexico was second largest buyer at 20,000 bales, followed by Pakistan with 17,600, and Vietnam with 11,300. Shippers exported 204,400 bales of Upland and Pima combined. Accumulated exports are at their highest ever for the sixth week of the marketing year.

## **CROP CONDITIONS AND WEATHER**

This week's Crop Progress and Condition report showed slight improvement on the lower end of the crop, with 4% of the cotton belt moving from "very poor" to "poor". Unfortunately, it looks like that slight improvement will have been undone this week. From a system with only 20% chance of forming a cyclone just last week, Sally rapidly developed into a hurricane and slammed into the Alabama-Florida border coast. The entire Florida Panhandle received flooding rains with large portions hammered by 20+ inches of rainfall. The storm also brought high winds well into southern Alabama. Although it is early, the combination of winds and flooding are expected to have wiped out a large portion of the crop in that area. Even southwest Georgia got a bit more rain

than expected, and there may be some losses there as well. As of last Sunday, the USDA reported 55% of Alabama's crop with open bolls, 33% of Florida's and 52% of Georgia's.

West Texas, Oklahoma and Kansas have a sunny and seasonably warm week ahead, with odds of a longer fall improving slightly. The North Delta is likely to continue getting good weather also. Unfortunately, there is another system in the southern Gulf of Mexico that seems likely to develop. There is also very little certainty about what path the storm may take at this point, which makes it very difficult to say where the unwelcome wind and precipitation will land.



## THE WEEK AHEAD

Traders are still watching closely for tropical storms in both the Atlantic and the Gulf of Mexico, especially since the speed of Sally's formation really surprised the market. Crop Progress and Conditions will be combed over closely on Monday afternoon as analysts try to glean more information about potential damage from the storm. Besides the action in the outside markets, Thursday's Export Sales Report is the next focal point in the coming week.

## IN THE WEEK AHEAD:

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