



JUNE 19, 2020

COTTON PRICES BEGIN WEEK ON DECLINE BEFORE TURNING UPWARD

- May Retail Sales Better Than Expected
- Export Sales Report Shows Net New Sales for 2020/21 at 148,400 Bales
- U.S. Cotton Crop 89% Planted

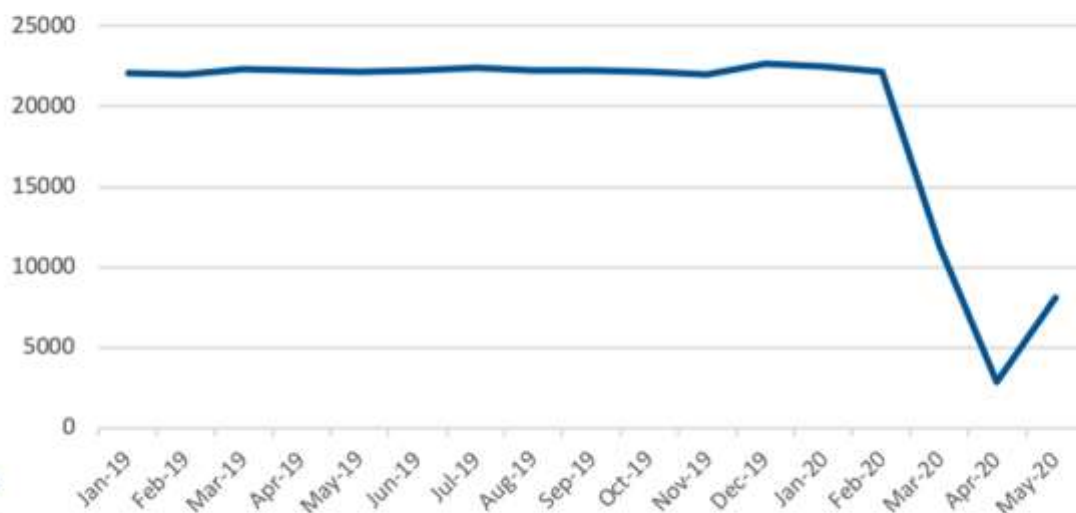
Cotton prices started the week in continuation of last week's decline. On Monday, July futures hit the week's low at 58.69 cents per pound and December futures slid to 57.75 cents. Prices turned upward from there, with July futures leading the way. July's high was 61.73 cents on Thursday, but the lead contract settled at 61.17 up 115 points for the week. December rallied to 60.25 cents on Thursday but settled at 59.52, up just three points for the week. Daily trading volumes moderated

versus last week as active traders have mostly finished closing or rolling forward their July positions. Open interest fell 9,655 contracts to 170,051. Such a sharp decline in open contracts is not unusual following the expiration of July options, which occurred Friday, but the decline brings total open interest to the lowest level since June 2015.

OUTSIDE MARKETS

Stock markets were more two-sided this week, as headline news alternated between encouraging and frightening. May retail sales were better than expected, which increased the market's hopes for a "V-shaped" recovery. Clothing store sales were perhaps the worst performer with sales up 188% versus April, but still down 63% versus last year. Coronavirus cases continued to surge in many states and new jobless claims were higher than expected. Geopolitical uncertainty also increased as China and India continued to have conflict on their border, and the U.S. administration continued to walk the fine line between wanting to hold China accountable for its policies while expecting China to live up to the Phase 1 trade deal.

CLOTHING & CLOTHING ACCESSORIES STORES SALES



EXPORT SALES

Once again, the Export Sales Report was better than it needed to be. Net new sales for 2019/20 were 97,600 bales and sales for 2020/21 were 148,400 bales. In the same fashion that we have seen in recent weeks, China and Vietnam accounted for the vast majority of new commitments. China bought 90,700 bales for this year and 24,200 for next. Vietnam bought 19,000 for this year and 100,300 for next. The next largest buyer was Turkey, with 17,700 ordered for 2020/21 but net cancellations of 6,800 for 2019/20. Shipments were, for a change, the bright spot on this week's report, with 22 markets receiving cotton. At 354,200 bales (Upland and Pima combined), shipments were well above the average needed to hit the USDA's 15.0 million bale mark for this season.

CROP PROGRESS AND WEATHER

Planting season is quickly drawing to a close. As of last Sunday, 89% of the crop had been planted (much of it planted twice), according to this week's Crop Progress and Condition Report, while 16% of the crop is now squaring, which is right on the five-year average. Crop conditions continue to suffer. Only 43% of the crop is rated "good" or "excellent" versus 49% last year. There are a few abnormally bad readings at the state level with 38% of Missouri's crop rated "poor" or "very poor," as was 25% of South Carolina and 25% of Texas. Thankfully a shift in the weather pattern gave some needed moisture to West Texas this week and at the same time it let much of the Mid-South dry out. With a bit more rain in the Southwest's forecast, we are hopeful that the wetter weather pattern will stick around. Much is needed to restore soil moisture in this region.

LOOKING AHEAD

Most traders are out of their July positions now, but that won't keep a large share of time from being spent watching July futures enter their notice period on the 24th. Any trader not wishing to make or take delivery of physical cotton through the futures market must close their position by the close of trading

on the 23rd. December is the lead concern now, and we are entering the traditional “weather market” period of trading when market participants tend to stake positions on weather risks as they come. Crop Progress and Condition Reports will also guide trader’s guesses on how weather is impacting the crop. Lastly, the weekly Export Sales Report, which often falls out of importance as the marketing year ends, will likely retain more focus than usual as traders look to see if demand will return and whether it can diversify from just China and Vietnam.

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 Report