



**SEPTEMBER 20, 2019**

## **FUTURES CLIMB TO SIX-WEEK HIGH BUT GIVE BACK GAINS**

- **Export Sales Cancellations Reported**
- **Spot Market Sales Cool, Average Price Higher This Week**
- **Crop Conditions Decline but Progress Ahead of Pace**
- **Federal Reserve Cuts Interest Rate**

Futures made a six-week high last Friday with the December contract touching 63.39 cents per pound before settling at 62.28 cents. Although Monday's close was marginally higher, the market gave back much of last week's gains over the next few days. Prices settled at 60.33 cents on Thursday, down 188 points on the week. Average daily trading volume was high but had regained calm by Wednesday. Open interest was 1,361 contracts higher than the prior Thursday at 230,791.

## **EXPORT SALES AND SHIPMENTS**

Exports sales in the week ended Sept. 12 seemed rather slow, but the totals were fairly normal for mid-September. Gross new Upland sales totaled 142,700 bales, but cancellations, mostly from China (39,300 bales) and Bangladesh (13,800 bales), pulled net sales down to 85,000 bales. Shipments were 166,600 bales of Upland and 7,200 of Pima, which were well within seasonal norms. Outstanding (unshipped) sales are still quite high at 6.98 million Upland bales. So far, 1.43 million Upland bales have been reported as shipped this season.

## **SPOT MARKET ACTIVITY**

The Seam's G2B trading platform traded 9,270 bales this week, a decrease of 28,272 bales compared to the previous week. The average price of 55.89 cents per pound was 256 points higher than the previous week's average. The average premium over the CCC loan of 5.04 cents was 170 points higher than the previous week. Cotton offered for sale decreased 2,700 bales to about 88,600 bales (about 18,000 bales of 2019/20 crop are offered).

## **ADJUSTED WORLD PRICE**

Since the AWP is above the base loan rate, none of the loan principal is eligible for forgiveness, nor is there a Loan Deficiency Payment (LDP); however, depending upon the amount of accrued charges, a portion of interest and/or storage charges may be forgiven.

## **CROP PROGRESS AND CONDITIONS**

Monday's Crop Progress and Conditions Report showed a slight decline of two points in the quantity of cotton rated good or excellent to 41 percent. In Texas and Oklahoma, the percentages are 31 percent and 41 percent, respectively, while 44 percent of the Kansas crop was rated good or excellent. In terms of progress, the crop is ahead of normal pace with 54 percent open bolls versus a five-year average of 47 percent. The advanced pace largely reflects an early crop in the Southeast and early opening of Texas dryland cotton. Texas has 47 percent open bolls versus an average pace of 36 percent. In fact, harvest in South Texas areas is mostly complete.

## **SOUTH TEXAS QUALITY EXCELLENT**

The Corpus Christi Classing Office has classed over 600,000 bales as of Sept. 18. Qualities remain excellent with more than 85 percent of the

samples classed on the season are of quality that is tenderable for delivery on the ICE No. 2 futures contract. Going forward, qualities should remain good overall as approximately 90 percent of the crop is off the stalk from the Rio Grande Valley through the Upper Coastal Bend area.

## **FED CUTS INTEREST RATE**

The Federal Reserve announced its decision to cut its core interest rate by 25 points on Wednesday. While the committee that makes this decision was divided on whether the cut was needed, the market seemed to believe the cut was not enough, and the U.S. dollar surged in value versus major competitors and stocks dipped. Nevertheless, stock markets are still near record highs. Since the beginning of the month, U.S. Treasury yields have surged from 1.45 percent to 1.90 percent on improvements to the U.S.-China trade dispute. While many business leaders are skeptical, China did buy 720,000 metric tons of soybeans in the past week as a show of good faith.

## **OIL PRICES REACT TO ATTACK**

The shocking attack on Saudi oil production over the weekend sent oil prices screaming higher and temporarily put stocks on the defensive. The jump in energy prices pulled up biofuel feedstocks as well, lifting corn, sugar and soybeans prices. However, prices moderated somewhat as Saudi Arabia assured the world that it would be able to resume production faster than most expected. The markets also cooled as President Trump communicated his desire to avoid war.

## **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