



**MAY 22, 2020**

## **JULY FUTURES POSTED FOUR CONSECUTIVE NEW HIGHS THIS WEEK**

- Slowing Rates of New Infections
- China Accounted for Bulk of New Sales in Export Sales Report
- Cotton 44 Percent Planted Across Cotton Belt
- Planting and Weather Reports Focus Going Forward

July futures posted four consecutive new highs from Friday through Thursday this week. However, prices began to turn south after peaking at 59.85 cents per pound Wednesday. Overnight trading took July futures back to 57.32 cents on Thursday, which was the week's low. The market was able to regain some lost ground before the close, and July futures settled at 58.06 cents, up 21 points from last Thursday. Daily

trading volumes were rather low, but open interest climbed 2,685 contracts to 179,784.

## **OUTSIDE MARKETS**

Cotton seemed to lose its correlation with broader markets this week. As stocks zigged, cotton zagged. Improved vaccine prospects and slowing rates of new infection caused the major stock indices to jump over three percent on Monday, but cotton futures posted a small decline. Political tensions with China helped to cap enthusiasm as the week progressed, and the poor economic data from the U.S. did not help either. 2.44 million Americans filed for unemployment support last week, and the number of continuing claims (people still receiving unemployment insurance benefits) is just under 23 million. Political leaders are still discussing additional aid in Washington, while Federal Reserve Chairman Jerome Powell has continued to state commitment to additional monetary stimulus as needed.

## **EXPORT SALES**

Net new sales for the week ending May 14 totaled 128,900 bales for the 2019/20 marketing year and 120,200 bales for the 2020/21 marketing year that starts August 1. Once again, sales to China accounted for the bulk of new sales. In fact, sales outside China were actually reduced for 2019/20, and China was 79,200 bales of the next marketing year. While the high concentration of sales to a single destination did not comfort traders, it has to be noted that U.S. export commitments are still far above where they need to be for the USDA's current export target of 15 million bales in 2019/20. However, the pace of shipments fulfilling outstanding sales continues to underperform. Combined Upland and Pima shipments were just 256,800 bales last week, and need to average just over 300,000 to hit the USDA's forecast.

## **CROP PROGRESS AND WEATHER**

According to the USDA's weekly Crop Progress and Condition Report, cotton is 44 percent planted across the Cotton Belt, versus a five-year average of 40 percent. Texas is pretty well ahead of average pace at 46 percent (versus 30 percent average). By comparison, Tennessee is 30 points behind average at 23 percent and Arkansas is 24 points behind at 47 percent, with both states having suffered excessive rains that have prevented planting. Speaking of rains, some heavy storms and a fair amount of hail hit West Texas this week. Most producers are still glad for the moisture, but some newly emerging crops will have to be re-planted. Unfortunately, the rains have been somewhat spotty and many of the counties that are further west have had little to no precipitation.

## **THE WEEK AHEAD**

Planting progress and weather reports continue to increase in importance as traders begin forming opinions of the 2020 crop. As always, the Export Sales Report will play a central role too. Beyond these points, it seems likely that news headlines and outside market performance will provide day-to-day variations in the market.

## **IN THE WEEK AHEAD:**

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