



OCTOBER 25, 2019

FUTURES TRADE IN TIGHT RANGE ON LOW VOLUME

- Spot Market Volume Lower
- Export Sales Continue Despite Higher Prices
- International Developments Dominate Headlines
- Traders Remain Cautious

Futures spent the week trading within a relatively tight range from 65.55 to 63.96 cents per pound. Average daily trading volume decreased sharply in comparison to last week. Although there were big changes on a day-to-day basis, Thursday's open interest was just 21 contracts lower than the previous week at 239,201. December settled at 64.65 cents on Thursday, down 34 points on the week.

SPOT MARKET ACTIVITY

The Seam's G2B platform traded just over 19,000 bales for the week, 4,200 bales less than last week. The average price received was 57.84 cents per pound and 55 points lower than the previous week's average. The average premium over the CCC loan was approximately 7.00 cents per pound and 173 points higher than the previous week. Bales offered for sale by growers stood at approximately 87,500 bales late Thursday (over 51,000 bales of 2019-20 crop were offered).

EXPORT SALES AND SHIPMENTS

U.S. cotton exporters arranged net new Upland cotton sales of 140,500 bales in the week ended October 17. Futures prices ranged from 61.72 to 65.85 cents per pound during the reporting period, so it is encouraging that sales continued despite higher prices. Shipments are still at seasonal lows but continue to outperform recent years pace. Outstanding (unshipped) sales and accumulated exports continue to imply that USDA's 2019-20 export forecast of 16.5 million bales is achievable.

BREXIT AGREEMENT

Brexit and a potential trade agreement with China continued to dominate business headlines. On the Brexit front, the UK came as close as ever to settling on a withdrawal agreement. The agreement was approved for a final vote, but the timeline was not within the October 31 deadline set by the EU. The possibility of a resolution had helped the value of the British Pound and Euro, but the impasse has reduced recent gains. The strengthening of these currencies has helped the U.S. Dollar come off recent highs which has also helped U.S. exports to become slightly more competitive.

U.S./CHINA TRADE

Speaking of U.S. exports, the market has continued to receive welcome signs that the U.S. and China really could sign a "Phase 1" deal when Presidents Xi and Trump meet at the Asia-Pacific Economic Cooperation summit in Chile next month. China has continued to make purchases of U.S. agricultural goods (although there is no word yet on cotton) and also passed a key intellectual property protection law this week which was one of the key U.S. demands. There is still plenty of time between now and then, but the chances of a partial resolution look the best they have in months.

CROP PROGRESS AND CONDITIONS

The percentage of bolls opening for the week ended October 20, 2019, showed 93 percent of the U.S. crop was open and ahead of the 5-year average of 89 percent. Cotton harvested for the U.S. was ahead of pace at 40 percent versus the 5-year average of 35 percent as reported by NASS.

COTTON CLASSINGS

Total bales classed for the U.S. has crossed over the 4 million bale mark. Qualities overall remain very good throughout the Cotton Belt. Although some areas have received rains recently, harvest conditions have been good for most regions. Predominant color over the past week showed to be 31 color, 3 leaf, and a staple length over 36. The average base loan premium for the U.S. stands at 240 points for the season as reported by USDA.

TRADERS WATCH HEADLINES

Most traders are wary of getting caught upside down in a wrong bet on China and will continue their constant vigilance in pouring over the headlines for the next several weeks. Outside the news and Twitter, merchants will be focused on receiving cotton for the next several weeks and on the closing of open positions on December. There are still a large number of producer and mill

fixations to be done before First Notice Day on November 23, when anyone not wanting to make or take delivery of December futures needs to have closed their position.

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