



JUNE 26, 2020

DECEMBER FUTURES TRADE WITHIN NARROW RANGE

- Demand Continues to Weaken Outside China and Vietnam
- Cotton Planting Almost Finished, 27% U.S. Crop Squaring
- USDA Acreage Report to be Released Next Week

There is not much time left for July futures. First notice day was Wednesday and only a handful of traders who are willing to trade physical cotton have remained in the contract. Just 679 contracts were left at the start of Thursday's trading. Although July traded to 63.14 cents per pound on Tuesday (when traders needed to be out to avoid delivery), it settled at 61.81 cents on Thursday, up just 64 points for the week. Attention now turns to the December contract, which had been rather dull lately. This week's trading kept within the narrow range from 58.55 to 60.19 cents. December futures settled at 59.70 cents on Thursday, up

18 points for the week. Open interest fell 11,070 contracts to 158,981, which is the lowest level since July 2014. Average daily trading volume also sank to its lowest level since last fall.

OUTSIDE MARKETS

The tension between more economic re-opening and surging coronavirus cases had stock markets trading both higher and lower this week. A sharp drop on Wednesday gave back some of the major indices' recent gains, and Thursday's jobless claims data seemed to disappoint investors, at least for a little while. The outlook remains uncertain as geopolitical tensions continue to flare everywhere one looks, but many investors continue to wonder whether they should be betting against the market while monetary and fiscal stimulus is still flowing. Some investors at least are moving toward safety as the yield on U.S. treasuries edged lower.

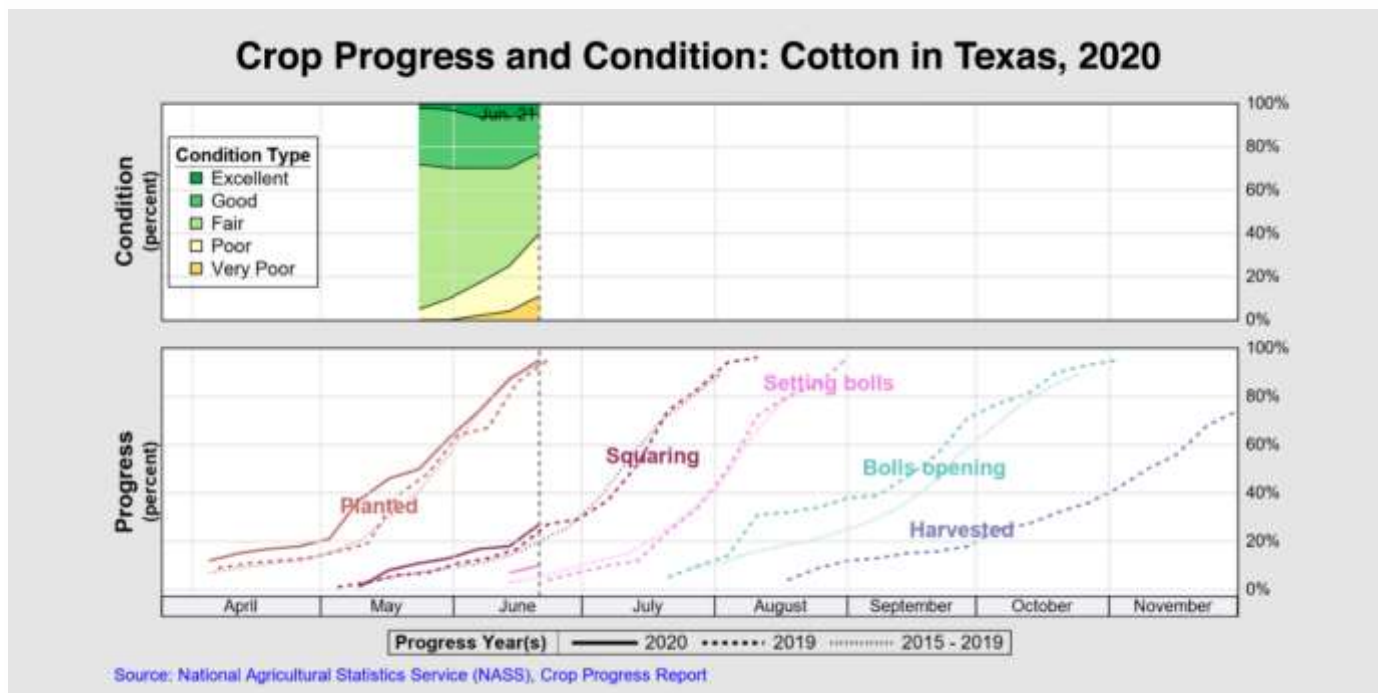
EXPORT SALES

Demand continues to languish outside China and Vietnam. While this week's report showed 102,700 bales of net new sales for 2019/20, 94,500 of it was China. Of the 67,900 bales sold for delivery in 2020/21 (i.e. after August 1), 36,500 bales were to China and 33,400 were for Vietnam. Combined shipments of Upland and Pima totaled 325,700 bales, continuing to beat the average needed for the USDA's current 15.0 million bale export forecast for 2019/20.

CROP PROGRESS AND WEATHER

Cotton planting is almost entirely finished and 27% of the crop is reported to be squaring. Conditions slipped this week. Texas's deterioration was the most notable, with 15% of the crop shifting from "fair", "good", or "excellent" rating down to "poor" and "very poor". Nationally, only 40% of the country's crop falls in the "good" or "excellent" rating versus 50% at this time last year. Drought conditions seem to be taking their toll in the Southwest, and we should see whether or not this week's rain helped any on

next Monday's report. While the outlook for the Mid-South and Southeast is a bit wetter next week, the outlook for West Texas and Oklahoma remains dry and hot. We hope the pattern breaks soon.



LOOKING AHEAD

Next week's big report will be the June 30th Acreage Report, in which the USDA will make its first update to its estimate of cotton's planted acres for the 2020/21 season. The planted acres will not be adjusted again for a few months until after the USDA starts gathering crop data. Most analysts are expecting the Acreage Report to show a decline from the 13.7 million planted acres that were estimated on March's Prospective Plantings report, as that report used data before the price collapses precipitated by the pandemic. Besides the Acreage report, crop progress and condition will guide traders' guesses on how weather is impacting the crop, and the weekly export sales report will retain more focus than usual as traders look to see whether demand will return and whether it can diversify from just China and Vietnam.

IN THE WEEK AHEAD:

- Monday at 3:00 p.m. Central – Crop Progress Report
- Tuesday at 11:00 a.m. Central – Acreage Report
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- *Delayed-Monday, July 6th at 2:30 p.m. Central – Commitments of Traders