

A photograph of a cotton field with green leaves and a dirt path, serving as a background for the title.

Cotton Market Weekly

MARCH 27, 2020

FUTURES PRICES CONTINUE TO DECLINE

- Open Interest Falls
- Stock Markets Fall, Then Rally on Senate and Fed Action
- Weekly Export Report Shocks Traders
- Prospective Plantings Report Coming

Futures prices continued to fall last Friday, leaving the high for the week at 56.35 cents per pound. Monday's session started by gapping lower with prices unable to find support until they hit the daily downside limit at 50.68 cents per pound. Thankfully, prices found support and were able to end the six-day streak of declines. Prices ended the week at 52.78 cents, down 215 points from last Thursday's close. Trading volumes remained fairly high but tailed-off somewhat at the end of the week. Open interest fell

16,212 contracts to 193,189 as traders continued to liquidate their positions.

OUTSIDE MARKETS

Stock markets fell apart last weekend, worried that the U.S. Senate's failure to put together a rescue package signaled government disfunction would create a significant delay in economic aid. But, signals came quickly that an unprecedented economic relief package would be passed within the week which the Senate actually was able to accomplish. Markets rallied at the size (\$2 Trillion) and scope of the package. Federal Reserve action also has helped buoy the markets. The relative value of the U.S. Dollar declined, indicating both the additional money supply that the Federal Reserve is injecting and investors' reduced demand for safe-haven.

Unfortunately, the U.S. economy's need for support became apparent on Thursday with jobless claims for the prior week posting an all-time record at 3.28 million. The report reflects massive lay-offs following the President's emergency orders to stem the spread of COVID-19. Sadly, the number of confirmed cases in the United States continues to rocket higher as testing increases. New York appears to be the epicenter now, and the virus appears to have spread much more than hoped before social distancing measures were put into place.

EXPORT SALES

This week's export sales report shocked traders who were expecting sales to have started to slow in the face of the global pandemic. Net new Upland sales totaled 277,100 bales for 2019-20 and 120,100 for 2020-21. Pima bales added another 18,200 net sales. Shipments also were healthy at a combined total of 404,200 bales. The largest buyers included Vietnam (74,900 bales), Turkey (55,200), Pakistan (53,200) and China (44,900). So far, the data continues to support USDA's 16.5 million bale export target, but it is important to note that statistical measures

and forecasts tend to mean little in the face of unprecedented events.

PLANTINGS REPORT COMING

USDA's Prospective Plantings report will be released Tuesday, March 31 at 11:00 a.m. Central Time. Most analysts expect cotton to lose market share but only by a little from the number used by USDA's Agricultural Outlook forum since the report is based on a survey conducted in the first two weeks of March. At that time, cotton was relatively stronger compared to grains than it is now. Aside from Prospective Plantings, the most watched cotton news will be next week's Export Sales Report. Traders will be watching closely for any weakness in mill demand that could be attributed to the pandemic. Otherwise, expect outside markets to continue to influence cotton prices.

IN THE WEEK AHEAD

- Today at 2:30 p.m. Central – Commitments of Traders
- Tuesday at 11:00 a.m. Central – Prospective Plantings
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call