



PLAINS COTTON
COOPERATIVE ASSOCIATION



Cotton Market Weekly

SEPTEMBER 29, 2023

DECEMBER FUTURES FINISHED HIGHER FOUR OUT OF FIVE TRADING SESSIONS

- Major Indexes were Mixed and Crude Oil Reached a 13-Month High
- Market Ignored Poor Export Sales for Week Ending September 21
- As of September 24, 13% of the U.S. Crop has been Harvested

December futures seemed to disregard the fundamentals of the cotton market this week, and instead rallied on speculative buying and outside markets. Futures traded on both sides of the market throughout the week but settled higher for four of the five trading sessions. The impending government shutdown and

upcoming Chinese holiday helped December futures reach 89.89 cents per pound on Thursday, but prices ran into resistance at that level. December futures came off their highs and eventually settled in the middle of the daily trading range. Despite a poor Export Sales Report, December futures managed to finish the week ending September 28 at 88.71 cents per pound, up 224 points from the week prior. Certificated stock increased 14,641 bales to reach 35,126 bales, which is the highest level since October 2021. Total open interest continued to rise as well, reaching its highest level since November 2022, and increased 5,356 contracts to finish at 240,323.

Outside Markets

Outside markets had a lot to do with cotton's performance this week and major indexes were mixed from a looming government shutdown, a strong U.S. Dollar, and higher energy prices. It seems inevitable that the government will shut down, as talks attempting to find a resolution have appeared futile. Crude oil also reached a 13-month high, which provided an added boost to the cotton market as well. Oil prices found support from supply worries on both the domestic and international front. The U.S. Dollar reached an almost 10-month high, rallying on stronger bonds and mixed stocks early in the week. Typically, a strong Dollar puts a headwind on commodities, but we were in a unique situation this week where cotton was seemingly unaffected. U.S. initial jobless claims came in lower than expectations at 204,000, showing a resilient labor market.

Export Sales

Despite continuing poor demand, the market chose to ignore another week of disappointing export sales. For the week ending September 21, a net total of 55,300 Upland bales were booked,

far below average for this point in the marketing year. The biggest buyer of Upland cotton for the week was Vietnam, booking 15,700 bales, followed by China with 13,100 bales, Indonesia with 5,400 bales, El Salvador with 4,000 bales, and Macau with 3,500 bales. Shipments were also below the pace needed to reach the USDA estimate of 12.3 million bales, with 159,400 bales exported. Sales of Pima cotton were reported to be a marketing year high. A net total of 15,600 Pima bales were booked and 2,100 bales shipped for the week.

Weather and Crop Progress

As of September 24, 13% of the U.S. crop has already been harvested, right in line with the 5-year average pace. Crop conditions improved slightly this week, with 30% of the crop across the Cotton Belt rated good to excellent. Unseasonably hot temperatures were present across much of the Southwest this past week. The week to come will bring scattered storms and slightly cooler temperatures early in the week. Drier weather later in the forecast should give growers a chance to begin preparing earlier planted fields for harvest. Clear, dry weather would be welcome from here forward to help harvest proceed in a timely fashion.

The Week Ahead

While we usually mention that traders will need to continue to monitor the typical report releases, the impending government shutdown could potentially delay those releases. Weather will continue to be watched closely as well, as there are potential disturbances developing in the Atlantic. With Chinese markets closed next week for holidays, there is one less source of information for cotton's value. Although Chinese markets will be

closed, it was announced that the Chinese Reserve auction is set to continue during the Mid-Autumn Festival next week.

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