



JANUARY 3, 2020

MARCH FUTURES FINISH THE WEEK HIGHER

- Export Sales Rebound
- Markets Rattled by U.S. Strike
- Traders Watching International Developments
- WASDE Report to be Released Next Week

Futures made a fresh high on Monday with a run up to 69.69 cents per pound. The rally was repeated on Tuesday and Thursday as prices touched 69.70 and 69.74 cents, respectively. Prices settled at 69.27 cents per pound for March futures Thursday to finish 57 points higher for the week. Daily trading volume was slightly better than last week as traders returned from the holidays, but the average was still fairly low. Despite the lower activity, open interest surged 7,756 contracts to 221,797.

SPOT MARKET

Through late Thursday afternoon, The Seam's G2B platform traded more than 52,000 bales during the week. The average price received by producers was 59.86 cents per pound, and the average premium over the CCC loan was 9.10 cents per pound. G2B offers stood at 256,000 bales.

EXPORT SALES

Net new export sales for the week ended December 26 were 246,200 bales of Upland cotton and 15,300 bales of Pima. Weekly sales rebounded from the last reports' pre-holiday slowdown (135,100 bales of Upland). Shipments were fairly healthy at 224,500 Upland and 6,300 Pima bales. In the first 22 weeks of the 2019-20 marketing year, 4.1 million bales have been exported. Sales and shipments are still on pace for USDA's target of 16.5 million statistical bales, but shipments are just entering their busy season and need to be watched closely.

INTERNATIONAL DEVELOPMENTS

Markets were rattled by a U.S. strike last night on one of Iran's top generals who was involved in terrorist activities, according to the Department of Defense. While the U.S. Dollar generally has been depreciating versus major competing currencies, the news had traders in all markets rushing into safe-haven assets like gold and treasuries while oil prices surged higher. The heightened risk overshadowed the market's recent bullish mood. Positive commentary and headlines regarding the U.S.-China trade deal have continued to boost sentiment, and President Trump announced via Twitter this week that he will sign the deal in Washington DC on January 15.

With tensions escalating between the U.S. and Iran, traders will be keeping watch for retaliation from Iran. Additional news about trade developments with China probably will not come until after the deal is signed and the text is made public. Even after that, it

seems that actual purchases from China, news of which probably will become public in piecemeal fashion, are likely to be the only visible metrics of progress.

WASDE REPORT

Meanwhile, the January WASDE and Crop Production report will be released next Friday, January 10, at 11:00 a.m. Aside from next week's Export Sales Report, the WASDE will be the center of focus.

COTTON CLASSINGS

Samples classed at the Corpus Christi Classing Office during the week were good quality as only a small percentage of the South Texas crop remains to be classed. The Abilene Classing Office has classed more than 900,000 bales with a slight increase in extraneous matter with bales having bark for the week as compared to the season average. In Lamesa, the season classing total is more than 900,000 bales, and the Lubbock office has classed roughly 2.2 million bales. The Lamesa and Lubbock offices are showing an increased percentage of extraneous matter with bales having bark on the week compared to the season average.

IN THE WEEK AHEAD:

- Monday at 2:30 p.m. Central – Commitments of Traders
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 11:00 a.m. – WASDE and Crop Production