



**AUGUST 1, 2019**

**FUTURES CLOSE IN THE LOWER END OF THE TRADING RANGE**

- **Crop Progress Reported at or Near Five-Year Average**
- **Exports Reported Lower Than Previous Week**
- **FOMC Lowers the Target Range for the Federal Funds Rate**

**FUTURES FALL SHARPLY**

December 2019 futures closed at 62.37 cents per pound, down 147 points on Thursday, the lower end of the trading range for the last couple weeks. The market fell hard immediately following President Trump's tweet "the U.S. will start on September 1, putting a small additional tariff of 10 percent on the remaining 300 billion dollars of goods and products coming from China into our country". He also noted that "this does not include the 250 billion dollars already tariffed at 25 percent".

## **CROP PROGRESS AND CONDITIONS**

For the week ended July 28, 2019, the Crop Progress and Condition Report showed at or near the five-year average in terms of progress. Texas and Oklahoma showed to be 83 and 78 percent respectively for cotton squaring and Kansas at 67 percent. Texas shows to be at 34 percent for cotton setting bolls, right at the five-year average, while Oklahoma shows to be 33 percent, 8 percentage points ahead of the five-year average. Kansas is reported to be at 14 percent, just below the five-year average of 15 percent setting bolls. The report showed steady conditions for the U.S. with 61 percent of the crop in “Good” or “Excellent” category as compared to 60 percent last week.

## **EXPORT SALES AND SHIPMENTS**

In the week ended July 25, 2019, net sales of 10,200 bales for the 2018/19 marketing year, and 364,800 bales for the 2019/20 marketing year were reported. Vietnam was again responsible for the majority of the business with 214,000 bales followed by China with 48,400 bales purchased. Exports for the week were slightly lower than last week and the four-week average at 291,200 bales.

Interesting to note from other sources, China imported 723,000 bales during the month of June and the U.S. had the largest market share at 262,000 bales or 36.3 percent.

## **OTHER ECONOMIC NEWS**

Major stock indexes marked time early in the week awaiting the Federal Open Market Committee’s statement. The FOMC’s decision to lower the target range for the federal funds rate to 2.00 to 2.25 percent passed with eight votes. Two votes were cast preferring “at this meeting to maintain the target range for the federal funds rate at 2.25 to 2.50 percent.” This is the first rate cut since December 2008. After Chairman Powell hinted the announced rate cut was not to be interpreted as the beginning of a trend, markets moved sharply lower with the Dow touching a low of 26,719.60 before settling at 26,864.27, down 333.75 on the day. Markets took another hit on Thursday after President Trump’s announcement via Twitter of new tariffs on imports from China. The Dow was down 280 on the day settling at 26,583.

U.S. and China negotiators ended meetings in Shanghai on Wednesday, but will reconvene in Washington in September. Both sides described

meetings in Shanghai as constructive; however, concerns about the continued effects of a long-drawn-out struggle continued to weigh on global markets as expectations of progress remain low.

**IN THE WEEK AHEAD:**

- Monday at 3:00 p.m. Central – Crop Progress and Condition
- 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