



**SEPTEMBER 1, 2023**

## **DECEMBER FUTURES FINISHED AUGUST IN THE UPPER END OF RANGE**

- Outside Markets Higher Much of the Week Despite Unclear Economic Outlook
- U.S. Export Sales Higher for Week Ending August 31, but Demand is Still a Concern
- Damage to Crop from Hurricane Idalia Will Likely Be Minimal

Despite posting a marginal loss on Thursday, December futures finished August in the upper end of the range established throughout the month. Chinese cotton prices continued to gain ground, making U.S. cotton prices more attractive. Additionally, worries about the crop in not only the U.S., but also in India and China provided an additional boost to cotton prices. Cotton

futures pushed further up as Hurricane Idalia made landfall on Wednesday and damage to the crop in the Southeast was unknown. A weak Export Sales Report caused prices to trade on both sides before eventually finishing lower on Thursday. For the week ending August 31, December futures increased 173 points to settle at 87.82 cents per pound. Although daily volumes traded appeared to be light, total open interest gained 11,654 contracts to hit 212,352.

## **Outside Markets**

Outside markets were higher much of the week, despite an unclear economic outlook from the Fed last Friday and mixed data releases. At last week's annual symposium of global central bankers, the Fed said inflation had peaked, but is still too high. This means that more interest rate increases are not out of the question. Although economic data has been mixed, the U.S. Dollar has been strong, and finished at a two-month high early in the week. The U.S. July PCE deflator, the Fed's preferred measure of inflation, increased 3.3% year-over-year and 0.3% month-over-month. This was right in line with what the market expected. The U.S. consumer continues to show resilience. July personal spending rose 0.8% month-over-month, which was slightly stronger than market expectations. U.S. initial jobless claims were reported at 228,000, lower than market expectations and showing a persistently strong labor market.

## **Export Sales**

The Export Sales Report for the week ending August 24 contained higher sales when compared to the week prior, but demand for U.S. cotton is still a concern. Net sales of 61,400 Upland bales and 4,600 Pima bales were reported for the 2023/24 marketing year. Although sales were higher this week,

they are still at the lower end of what is typically reported for this time of the year. Noticeably absent from buyers of Upland cotton this week was China. The biggest buyer was Costa Rica, booking 23,400 bales, followed by Bangladesh with 10,000 bales, Vietnam with 7,300 bales, Indonesia with 6,700 bales, and Pakistan with 6,300 bales. Cancellations totaled 19,300 bales on this report. A total of 214,100 Upland bales and 3,100 Pima bales were exported for the week.

## **Weather and Crop Progress**

The big weather news this week was not the excessive heat and little moisture received in the Southwest, but Hurricane Idalia hitting Florida and bringing heavy rain to parts of the Southeast. The crop in that area is a little behind, so while the rain will affect some portions, overall damage to the crop will likely be minimal. The U.S. crop conditions were basically unchanged from the week before. As of August 27, the U.S. crop was rated 5% Excellent, 28% Good, 23% Fair, 21% Poor, and 23% Very Poor. South Texas harvest has continued with little interruption in the past week, having warm temperatures and mostly open skies to thank. West Texas had some scattered rain showers mid-week. Unfortunately, the precipitation received was too light to make a substantial difference where it fell. It is forecast to be hot and dry again in the coming week, but it appears the relentless triple degree days have backed off for the time being.

## **The Week Ahead**

It seems that next week's release of data will be a little lighter when compared to what was released this week. Traders will likely focus on global production now that worries about China and India's crop are making headlines. Following Hurricane Idalia, tropical weather will also continue to be monitored. Lastly,

next week will be a shortened trade week due to the Labor Day holiday. This will also delay the release of the Crop Progress and Condition Report and Export Sales Report.

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