



SEPTEMBER 3, 2021

DECEMBER FUTURES RALLY BUT UNABLE TO HOLD GAINS

- **Markets in “Risk-Off” Mindset Monday and Tuesday**
- **Pakistan Biggest Buyer of Cotton This Week**
- **70% of Crop Rated Good or Excellent**
- **USDA Reports Delayed for Labor Day**

December futures rallied to 94.98 cents per pound last Friday, but were unable to hold the gains into Monday and started to decline. Prices continued to fall, dropping sharply on Tuesday before managing to find support at the low of 92.08 cents on Wednesday and rallying Thursday to recuperate much of the losses. December futures settled at 93.29, down 87 points for the week. Volumes were light except during Tuesday and

Wednesday's sell-offs. Open interest declined 1,976 contracts to 267,868, implying that long liquidation was behind the fall in price rather than new shorts.

OUTSIDE MARKETS

Stock markets started the week off softer, but the S&P 500 and NASDAQ were still able to make fresh all-time-highs on Wednesday and Thursday. Hurricane Ida, anxiety about the delta variant, the end of the Afghanistan withdrawal, and the slowest growth in 18 months from China's manufacturing sector had markets in a "risk-off" mindset on Monday and Tuesday. Disappointing private payroll growth and falling consumer confidence amid home price inflation, added to the negative outlook enough to alter market expectations about monetary support, which, in addition to some big hiring announcements from a few large companies lifted investors mood. Economic news improved Thursday with initial jobless claims at their lowest in six months and the U.S. trade deficit declining more than expected to \$70.1 billion in July from the record high of \$73.2 billion in June. The U.S. Dollar continued to depreciate against major trading partners, making U.S. exports a bit more competitive than they were two weeks ago.

EXPORT SALES

Sales slowed for the week ending August 26, perhaps reflecting mills' hope that prices would continue to soften after the prior week's fall in prices. Exporters made net new sales of 105,200 Upland bales and 14,500 bales of Pima. Sales for shipment next marketing year included 23,800 bales of Upland. Combined shipments were just 173,300, which is not surprising given the extremely low level of current stocks ahead of a late harvest in South Texas. This report's biggest buyers were Pakistan (27,600 bales), Vietnam (17,200), and Turkey (14,400). Next week's

report will show whether mills took advantage of this week's decline back to 92.00.

CROP PROGRESS AND WEATHER

South Texas and the Western half of the Mid-South region were spared the high winds and flooding rains brought by Hurricane Ida this week. Although there are certainly areas with losses, the damage to the crop is not as wide-spread as many feared given Ida's strengthening to category four just before landfall. The lateness of the Mid-South region, which is mostly about 10 percentage points behind normal pace in terms of cotton bolls opening, probably helped to protect that crop from excessive losses. While the condition of the crop slipped slightly in last week's report, 70% of the crop is still rated "Good" or "Excellent". Here in West Texas there are some areas that could still use some moisture, but most would not trade the rain for the heat at this point. Perhaps another shower would help, but the region is still hoping for a late Fall to finish out this crop.

The Week Ahead

Tuesday's crop condition and progress may give a glimpse into whether crop conditions in Ida's path were hurt. Traders will also be watching daily classing reports as the short supply from last season leaves merchants eager for early arrivals. Export sales will also get a lot of attention as the market gauges whether this week's dip was enough to rekindle demand after this week's lighter sales figures. Last but not least, traders will be watching next Friday's WASDE and Crop Production reports. Weekly USDA reports will be delayed by a day in observance of Labor Day.

In the Week Ahead:

Friday at 2:30 p.m. Central – Commitments of Traders

Monday – Labor Day

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

Thursday at 2:30 p.m. Central – Cotton-On-Call

Friday at 7:30 a.m. Central – Export Sales Report

Friday at 11:00 a.m. Central – WASDE and Crop Production