



DECEMBER 4, 2020

COTTON FUTURES LOSE GROUND, HARVEST AHEAD OF AVERAGE PACE

- \$900 Billion Stimulus Plan Presented
- No Slow in Exports during Thanksgiving
- 84% of Cotton Belt Harvested
- Crop Production and WASDE Reports Next Week

Cotton futures lost ground this week. March futures touched a high of 73.50 cents per pound and a low of 71.07 cents on Thursday just before the close. Thursday's settlement at 71.11 is down 125 points from the pre-Thanksgiving close a week ago. Trading volumes were relatively light. Open interest fell 3,997 contracts to 215,551. The falling open interest implies that speculative traders have been exiting while traders have been lifting hedges as they sell more cotton.

OUTSIDE MARKETS

Stocks returned to record highs this week as investor risk appetite turned positive again. A bipartisan group of legislators brought forward a \$900 billion stimulus plan that received backing. Jobless claims data was also positive. On a seasonally adjusted basis, 712,000 first time claims were filed, which is the lowest level since March. Continuing claims also fell 569,000 to 5.52 million. Continued improvement in the labor market, despite a fresh round of lockdowns in many U.S. states, encouraged markets. Fresh stimulus talks and assurances this week from the Federal Reserve that money supply will remain loose put pressure on the U.S. dollar in currency markets. The U.S. Dollar Index traded to its lowest level since April 2018, which should provide some tailwinds to U.S. exporters.

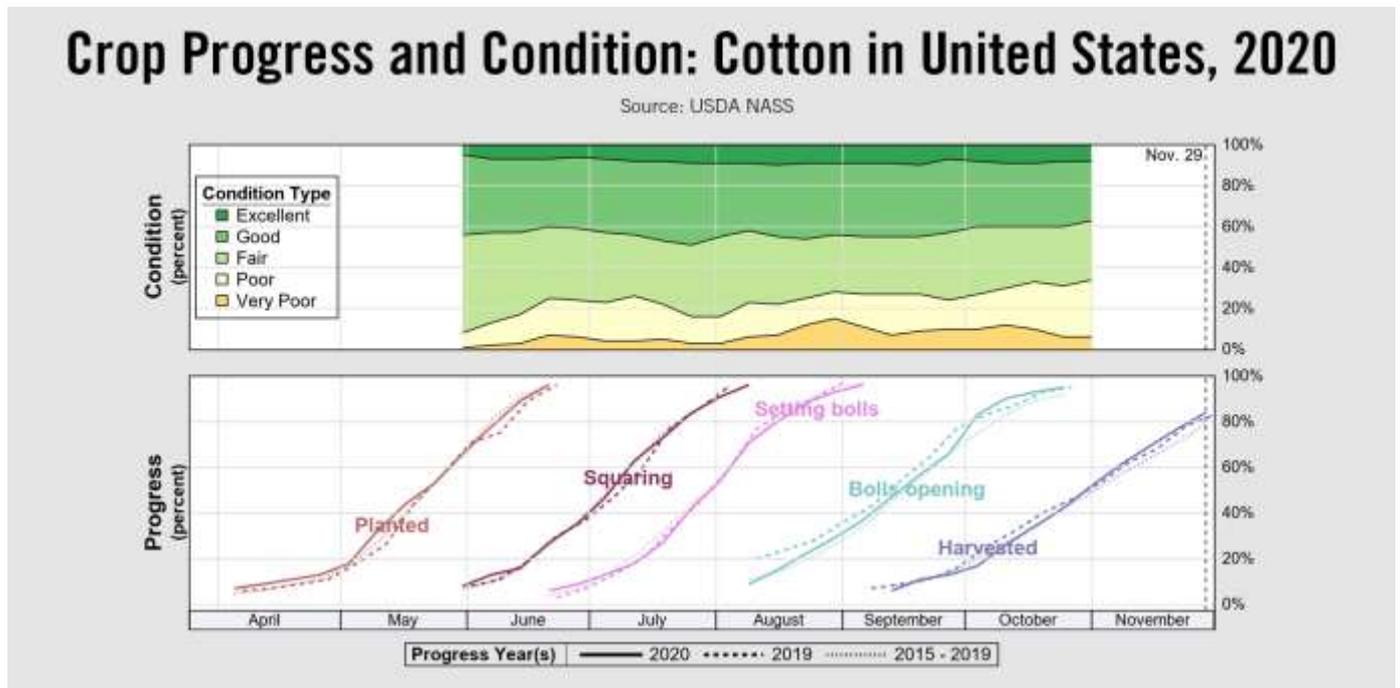
EXPORT SALES

Thanksgiving did not seem to slow down the export market. For the week ending 11/26, US shippers were still able to arrange 277,900 bales of net new Upland sales and 7,900 bales of Pima. China returned as the largest destination last week, ordering 130,800 bales. Other large buying countries included Vietnam (46,000) and Pakistan (44,500). Shipments continue to beat the necessary pace for the USDA's current export forecast of 14.6 million bales. In fact, season-to-date cotton exports are at the highest level ever.

HARVEST

According to Monday's Crop Progress and Condition Report, which is the last of this season, 84% of the Cotton Belt had been harvested by Sunday. This year's pace is two percentage points faster than last year, and five percentage points faster than the five-year average. Texas is mostly responsible for the accelerated pace, with 82% harvested versus a five-year average of 68%. Unfortunately, the Southeast is still mostly behind. Classing in the Southwest has been excellent although

this year has had plenty of short staple and some low micronaire. Unfortunately for the Mid-south and Southeast color grades have been dragged down by frequent rains during harvest, and seed coat fragments have become a major problem in some areas that were hit by more than one hurricane this year.



THE WEEK AHEAD

Next Thursday, the USDA will release its December Crop Production Report and updated World Agricultural Supply and Demand Estimates. Rightfully so, the reports will receive the market's full focus. As the gold standard of supply and demand estimates, fundamental traders look to WASDE for direction. Since it is such a pivotal report, it often has the effect of dampening activity in the days before its release.

IN THE WEEK AHEAD

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