



Cotton Market Weekly

FEBRUARY 5, 2021

MARKETS TRADE SIDEWAYS, ECONOMIC NEWS BETTER THAN EXPECTED

- Thursday's Trading Volume Hits Highest Single Day Volume in 18 Months
- Inflation Expectations Rising, Positive for Commodities
- Long-term Weather Outlook Remains Negative
- Major Reports Releasing Next Week

March cotton futures started the week's trading at the low around 79.75 cents per pound, but spent most of the week going sideways in a narrow range from 80 to 81. Prices rallied in the overnight session before Thursday's Exports Sales Report. The health of the Export Sales Report shot prices to fresh multi-year highs, with March rallying past the recent 83.06 cent high. March futures settled at 84.28, up 4.35 cents since last Thursday's

close. Thursday's trading volume was also the highest single-day volume in 18 months. Open interest fell 4,910 to 248,145, but that does not yet reflect Thursday's activity.

OUTSIDE MARKETS

Stocks moved back toward recent highs as economic news was better than expected. U.S. jobless claims were significantly lower than expected at 779,000. Continuing claims fell 193,000 to 4,592,000, which is a welcome resumption of the decline. At the same time, December European retail sales outperformed expectations. With the increased likelihood that the Democratic party can speed through its massive stimulus package, inflation expectations are also rising, which is a positive for the commodity sector if not for consumers.

WEATHER

Much of the Eastern Cotton Belt received rain in the past week, but things have remained unfortunately dry here in the Southwest. Few places in Texas got more than a sprinkle from the last system to blow through. The pattern seems likely to repeat this week. A strong cold front is set to bring plenty of cold air into the deep south, with precipitation on its leading edge, especially along the gulf coast and into the Atlantic states. The long-term outlook remains negative. We continue to hope for a break in the drought soon.

EXPORT SALES

Higher prices still seem to be failing to deter demand. Exporters reported 286,700 running bales of Upland and 19,000 bales of Pima for the week ending January 28. Notable increases in commitments included China (85,400 bales), Turkey (71,400), Pakistan (51,200), and Vietnam (30,200). Exports shipments were 339,200 bales of Upland and Pima combined. At halfway through the marketing year, U.S. export commitments have reached 13.43 million running bales, which is around 90% of the USDA's export target when converting to 480-pound statistical

bales. The high level of commitments has many analysts and traders expecting the USDA to revise its U.S. Export forecast higher on next week's WASDE.

THE WEEK AHEAD

Traders do not lack for any news or events to keep them busy this week. Index funds rolling from March to May futures are at full steam. March options on futures expire today, as well. On top of that, the USDA will release the February WASDE report at 11 a.m. Central Time next Tuesday and the NCC will release its Economic Outlook and Planting Intentions for 2021/2022 during its general session from 9:00 to 10:30 on Thursday morning.

IN THE WEEK AHEAD:

- Friday at 2:30 p.m. Central -Commitments of Traders
- Friday – March Options Expire
- Tuesday at 11:00 a.m. Central – WASDE
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday, 9:00-10:30 a.m. Central – NCC General Session
- Thursday at 2:30 p.m. Central – Cotton-On-Call