



**MAY 5, 2023**

## **COTTON PRICES STRUGGLED BEFORE REBOUNDING WITH MODEST GAINS TO FINISH THE WEEK**

- Outside Markets Had Busy Week with Fed Rate Decision
- U.S. Export Sales Stayed Strong for the Week Ending May 4
- Timely Rains Received in West Texas, Oklahoma, and Kansas but More is Needed

Cotton prices struggled this week before rebounding to finish modest gains. The cotton market was on the defensive this week, with the Fed's rate decision and precipitation received in West Texas pressuring prices early on. The macro headwinds caused July futures to drop below 80 cents on Wednesday, but a strong Export Sales Report sent July futures up the limit on

Thursday. For the week ending May 4, July futures settled at 81.76 cents per pound, up 136 points for the week. Although volume remains low, traders were able to add 4,797 contracts to bring total open interest to 176,222.

## **Outside Markets**

Outside markets had a busy week with economic news, global economic news, and debt ceiling worries. Major indexes were strong going into the weekend, finishing the month of April with the second straight month of gains. The release of China's Producer Manufacturing Index was surprisingly lower, signaling the country's economy might be struggling more than has been hinted since reopening from Covid lockdowns. The beginning of the week was pretty quiet, with many holding out to see what the Fed would decide at the Federal Open Market Committee (FOMC) meeting this week. Interest rates were raised for the tenth time in a row on Wednesday. As expected, a 25-basis-points increase was announced, and the overall rate rose to 5.0%. This has been the fastest increase in interest rates seen in over 40 years and the highest that rates have been in 16 years. Although the Fed said a pause was possible, they will still be data driven when making future decisions, which ultimately weighed on markets. U.S. initial jobless claims rose to 242,000, showing a weaker than expected labor market. The Dollar was pressured from the bearish economic news this week but recovered some of its losses to finish with marginal gains. Unlike cotton, the strong dollar and geopolitical worries caused crude oil to fall sharply this week.

## **Export Sales**

Demand for U.S. cotton remains strong for the week ending April 27. The U.S. Export Sales report held net sales of 231,300

Upland bales for the 2022/23 crop year and 26,900 bales for the 2023/24 marketing year. The biggest buyer for the week was China, with 117,100 bales purchased, followed by Vietnam with 43,500 bales, Turkey with 34,800 bales, Bangladesh with 17,100 bales, and Nicaragua with 8,800 bales. There was a total of 25,200 cancellations contained in this report, but the majority of the cancellations were rolled as sales to the next marketing year. Shipments continue to stay above the pace needed to meet the USDA export estimate of 12.2 million bales. A total of 414,000 bales were exported for the week. Pima continues to show improvement on sales and shipments. A net total of 24,600 Pima bales were sold and 24,800 bales were exported.

## **Weather and Crop Progress**

Timely rains were received in parts of West Texas, Oklahoma, and Kansas over the past week. Although the rain was needed, much more moisture is required in the area to help with the planting and development of the crop. Planting has slowly started in the Panhandle and parts of West Texas. Above average temperatures are expected in the coming week, which will keep soil moisture levels low from evaporation rates and hinder planting as the time approaches. South Texas has continued to receive rain, along with cooler temperatures. Open skies and warm weather would be welcomed in the coming days to aid in the crop's development. This week's Crop Progress report showed that planting is slightly ahead of schedule in Texas, with 20% of the expected acreage now planted, which is right above the five-year average of 17%.

## **The Week Ahead**

With the World Agricultural Supply and Demand Estimates (WASDE) coming out next Friday, next week will be a big week

fundamentally for cotton. The May report not only updates the 2022/23 balance sheet but will give the first full forecast for the 2023/24 season. Traders have been wondering all year what USDA will report as the final U.S. production number.

- Friday at 2:30 p.m. Central – Commitments of Traders
- 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 (May 12) at 11:00 a.m. Central – WASDE