



APRIL 6, 2023

COTTON FUTURES HAD WEEK OF TWO-SIDED TRADING BUT FINISHED STRONG

- Recession Fears Kept Major Indexes at Bay
- Export Demand Slowed for Week Ending March 30
- Little Change in Drought Conditions Across Texas, Oklahoma, and Kansas

Cotton futures had a week of two-sided trading, with the lead contract finishing lower in three of the five trading sessions before ending the week strong. May futures were pressured on Friday when USDA released the Prospective Plantings report, which was higher than anticipated and showed planting intentions of 11.256 million acres of cotton. Macroeconomic news kept cotton prices mixed throughout the week, keeping futures in the middle of the long-term trading range. Despite

lower export sales, May futures closed the week ending April 6 at 83.20 cents per pound, down 30 points for the week. Total open interest declined 6,618 contracts to finish at 192,174, the lowest level since mid-March.

Outside Markets

Stocks finished the first quarter on a high note, although recession fears and disappointing data kept major indexes at bay. The Personal Consumption Expenditure (PCE), the Fed's preferred measure of inflation, showed the core PCE Index rose 4.6% year-over-year in February. This slowed from the month prior and was lower than analysts expected. Jobs data released earlier this week has suggested the persistently strong labor market is starting to weaken. The U.S. Job Openings and Labor Turnover Survey (JOLTS) indicated that U.S. job openings dropped below 10 million in February, the first time this has happened in almost two years. Additionally, U.S. weekly initial unemployment claims rose to 228,000, another sign that the labor market is starting to crack. Crude prices shot up this week after a production cut was announced by the Organization of the Petroleum Exporting Countries (OPEC). Lastly, the U.S. Dollar Index had a mixed week, with much of the data released causing it to soften.

Export Sales

Despite the lower prices seen during the export sales reporting period, demand for U.S. cotton seemed to slow for the week ending March 30. Net sales of 160,500 bales were booked for the current crop year, down substantially from what has been reported in recent weeks. The biggest buyer for the week was China, booking 64,400 bales, followed by Vietnam with 52,500 bales, Turkey with 16,200 bales, India with 6,200 bales, and

Peru with 5,000 bales. Net sales of 15,900 were reported for the 2023/24 crop year. Shipments were slower compared to the week prior but held at a decent pace with a total of 250,100 bales exported. Pima sales remained steady, with a total of 9,100 bales sold for the 2022/23 crop year and 1,500 bales shipped.

Weather and New Crop Outlook

Where most of the country has received an overabundance or adequate amount of precipitation in recent weeks, that does not ring true for parts of Texas, Oklahoma, and Kansas. This portion of the Cotton Belt remains dry, with only intermittent storms expected in the coming week. In West Texas, blowing dust and high winds were present early in the week followed by cooler, which will fade going into the weekend. Warmer, seasonal temperatures are expected throughout the area in the next week. While this pattern is set to continue, we are getting to the point where warmer conditions will be present for longer periods of time. The final planting date in the most southern areas of Texas has passed, and precipitation will be needed to encourage growth. With the final planting date approaching in other areas in South Texas, the scattered storms expected over the weekend will bring much needed moisture to the dry soils.

The Week Ahead

Next week, the monthly World Agricultural Supply and Demand Estimates (WASDE) report will capture the attention of traders. Besides that, the market will continue to focus on the weekly Export Sales Report, weather in the Southwest, and crop progress. Lastly, the Goldman Sachs Commodity Index (GSCI) begins to roll on Monday and May options expire on Friday.

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