



AUGUST 6, 2021

FUTURES GAIN 37 POINTS FROM LAST WEEK

- Stock Market Activity Fairly Two-Sided This Week
- Crop Behind in Many Parts of Cotton Belt
- August WASDE Report Coming Next Week

December futures prices fell last Friday but have been steadily recovering ground the rest of the week. In fact, Friday's low at 88.88 cents per pound was the lowest price of the week. By Thursday's close the December contract had nearly matched the life-of-contract high, touching 90.90 cents. With a settlement price at 90.68 cents, which is the new life-of-contract high, futures have gained 37 points from last week. The steady climb since last Friday has not attracted many new positions or large

trading. Trading volumes were fairly light and open interest is up 1,862 contracts to 249,477.

OUTSIDE MARKETS

Stock market activity was fairly two sided this week. Economic news was a mixed bag. Some economic data is improving while supply chains continue to struggle with disruptions, including severe weather at key foreign ports. Even so, growing concern about the spread of the Delta variant is many investors' biggest concern. China is dealing with its largest outbreak since the pandemic began, which is especially worrying given the Chinese vaccine's lower effectiveness. Vietnam, which was a leader in containment efforts has also been attempting to contain the spread. Even here in the United States where the vaccines are highly effective at preventing spread and dramatically lower the severity of sickness, the rapid spread of the Delta variant is causing alarm. While it is unlikely that the U.S. re-enters any lockdowns, the main concern is that China will attempt containment on a level that disrupts their economy and their ability to export product to the rest of the world.

EXPORT SALES

All but two days of the 2020-2021 marketing year have now been reported to the USDA. This week's report was the 52nd of the marketing year and next week's data will include both the final 2020-2021 data and the 2021-2022 carryover sales. The last full week of sales for 2020-2021 included 17,100 bales of Upland and 2,400 bales of Pima. 2021-2022 Sales totaled 149,300 bales of Upland and 9,100 bales of Pima. Shipments at 229,500 bale of Upland and 8,700 bales of Pima were less than needed for reported exports to hit the USDA's 16.4 million bales statistical target for outgoing marketing year, but reported exports have been lower than the official USDA export estimate in recent years, so the USDA may wait for data from customs to confirm shipment totals before adjusting the target downward.

CROP PROGRESS AND WEATHER

There is little to report on the weather aside from the unseasonably cool temperatures. Fortunately, there is some heat in the forecast next week. Crop conditions continue to exceed expectations, but the crop is still behind in many parts of the Cotton Belt. More heat will help. From next week onward, weather should become more interesting. Hurricane risk is rising, and Pacific Ocean temperatures seem to be tilting into a La Niña phase that could facilitate more Tropical storm formation in the Atlantic as we enter the most active part of the hurricane season. There are no systems currently threatening the Cotton Belt, but tropical weather is moving back into central focus.

THE WEEK AHEAD

The USDA will release the August WASDE report on Thursday August 12 at 11:00 AM Central Time. For fundamental traders (i.e. those who trade based on supply and demand), nothing really beats the WASDE report. Simultaneously, NASS will release its first crop production report with state-level production forecasts. The final export sales report for 2020-2021 will also be watched closely and will be released early in the morning on the same day.

IN THE WEEK AHEAD:

- 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 11:00 a.m. Central – WASDE
- Thursday at 11:00 a.m. Central – Crop Production
- Thursday at 2:30 p.m. Central – Cotton-On-Call