



PLAINS COTTON
COOPERATIVE ASSOCIATION



Cotton Market Weekly

JANUARY 6, 2023

MARCH FUTURES HAD SLOW START TO NEW YEAR

- **OUTSIDE MARKETS HAD FLURRY OF ACTIVITY**
- **EXPORT SALES WEAK ONCE AGAIN**
- **COTTON ACRES SET TO DECREASE IN 2023/24**

March futures had a slow start to the new year. The market was relatively quiet going into the weekend due to the New Year's holiday and then started off the week with wide trading ranges. Prices had strong losses on Wednesday from a collapse in crude prices and continuing bearish macroeconomic news. Thursday saw an increase in buying that helped recover some of the losses and March futures finished the week at 82.58 cents per pound, down only six points for the week. Total open interest rose to 198,629 contracts, an increase of 7,641 compared to last week.

Outside Markets

After finishing the last trading session of the year on a good note, stocks were mixed in the week that followed. The week has had a flurry of activity that has impacted markets, whether it be economic reports, political news, or global news that fueled the up and down moves. Politically, the Republicans took over the majority in the House of Representatives but have yet to elect a Speaker of the House. This stops the House from conducting any sort of business or getting new members sworn in. Economically, a multitude of reports including the ISM Employment reading that increased to 51.4 and JOLT Job Openings that increased to 104,580 hinted that the labor market is still strong and helped keep worries alive that the Fed will remain hawkish. The FOMC minutes released on Wednesday also suggested that the Fed expects higher interest rates will be around for the foreseeable future. The release of U.S. initial Jobless Claims came in at 204,000, the lowest number of claims in 14 weeks and another bearish signal for the market. The U.S. Dollar Index rallied to finish the week, stemming from the unexpected news of a strong labor market and hawkish FOMC minutes. Lastly, cotton was not the only commodity that had a rough week. Crude saw major selloffs early in the week, which completely tanked prices and had most commodities taking sizable hits the majority of the week.

Export Sales

The U.S. Export Sales Report for the week ending December 29 showed weak export sales once again. It was no surprise that not much cotton was sold given the recent holidays and the current lack of demand. For 2022/23, 39,600 Upland bales were booked, and no new sales were reported for next marketing year. Shipments have been struggling to keep pace with the

export estimate set by USDA, and this week was no different. Only 96,600 Upland bales were shipped for the week. Pima also struggled with sales this week and reported net sales reductions of 900 bales and 3,400 bales getting exported.

Weather and New Crop Expectations

Although the Southwest has recently seen little precipitation, the current weather environment does not seem as dismal as this time last year. While we are still currently in La Nina, many weather models are predicting that it will fade come spring. It is predicted there will be little rainfall in the Southwest, which will keep soil moisture levels low and have impacts on upcoming planting decisions. The rest of the Cotton Belt, however, has seen intermittent storms over the past few weeks, helping pull areas out of drought.

It has also come to the time to start thinking about what cotton acreage is going to look like for the next marketing year. Cotton Grower magazine was the first to release results for what 2023 cotton acreage will look like across the U.S. Based on the survey, total acreage came in at 11.575 million planted acres. The Southwest is expected to plant 7.035 million of those acres, with Texas expectations at 6.41 million. After cotton prices competed so poorly versus other crops for most of the year, it was no surprise that cotton acreage is looking to decrease in the coming year.

The Week Ahead

After a couple of holiday-shortened trading weeks, next week will be back to business as usual. Aside from the normal weekly cotton specific reports, the WASDE will keep the attention of most traders. Analysts will be keen to see what the USDA does with both production and exports, given some of the surprising

reports that have been released this marketing year. Although China is currently experiencing a rise in COVID cases, the overall reopening of the country is one bright spot for current demand in cotton. In addition to the usual U.S. economic report releases, traders will also be monitoring this year's Index rebalancing closely, as cotton is suspected to have substantial Index buying.

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