



MARCH 6, 2020

UNCERTAINTY DOMINATES MARKETS

- May Cotton Falls to 60.18 Before Rebounding
- Countries Move to Offset Economic Damage
- Lower Prices Boost Export Sales
- Traders Await March WASDE Report

Futures prices continued to whip around wildly in the five trading sessions ended Thursday. Last Friday's activity saw May futures fall to 60.18 cents per pound before finding some support and rallying to the week's high at 65.07 cents on Tuesday. From there, May futures mostly traded between 63.00 and 64.00 cents and finished the week at 63.35, up 85 points. Trading volumes were strong throughout the week, and market participants actually added 9,701 contracts to bring total open interest up to 205,428.

OUTSIDE MARKETS

Coronavirus worries continue to dominate headlines. Global markets were temporarily comforted by the increased responses from governments and central banks, but anxiety and uncertainty are still the dominant force in the markets. Shortly after the Group of 7 countries issued a joint statement that they would be using monetary policy to help offset some of the expected economic damage from the virus, the Federal Reserve announced an emergency cut of 0.5 percent to the key interest rate. The emergency action is so unusual that it seems to have backfired, creating further alarm among investors and generating another few days of roller coaster activity. But, the Fed's action did accelerate the U.S. Dollar Indexes' decline from recent highs which may make U.S. exports a little more attractive.

EXPORT SALES

While the broader markets experienced panic selling, it seems many mills were happily buying. For the week ended February 27, U.S. cotton exporters had their single best week of the marketing year with net new sales totaling 395,500 bales of Upland cotton for delivery this marketing year and 53,200 bales for delivery next year. Cotton shipments also were a marketing year high at 494,000 bales of Upland and Pima combined. Sales and shipments are at their seasonal peak and are expected to remain strong in next week's report as well. China also showed up as a significant buyer again this week; however, the 58,500 bales they bought were only the fourth best showing. Vietnam (102,500 bales), Turkey (77,600), and Pakistan (62,400) were the top buyers.

SPOT MARKET

As of late Thursday afternoon, The Seam's G2B platform traded approximately 6,000 bales total during the past five sessions. The average price received by producers was 57.44 cents per pound, down 88 points from the previous week's average. The

average premium over the CCC loan was 5.82 cents per pound, down 128 points from the previous week's average. G2B offers late Thursday stood at 228,000 bales.

IN THE WEEK AHEAD

The March WASDE report will be released Tuesday at 11:00 a.m. Central Time. USDA is expected to reflect to a greater extent both the impact of Covid-19 (Caronavirus) and the implementation of the Phase 1 trade deal with China in this month's report. With all the uncertainty in the market, the WASDE report may not have the same weight in traders' thinking that one would normally expect. Next week's export sales report is likely to be the key focal point as far as reports go, but the reality is that Covid-19 headlines and government responses are the most likely factors to move the market for the foreseeable future.

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