



JANUARY 07, 2021

MARCH FUTURES SETTLE UP 38 POINTS FOR THE WEEK

- **MIXED WEEK FOR OUTSIDE MARKETS**
- **EXPORT SALES WERE HEALTHY SHIPMENTS ARE STILL A DISAPPOINTMENT**
- **WINTER WEATHER AND DRYNESS ARE HERE**

FUTURES MARKET ACTIVITY

March futures made a fresh multi-week high on Tuesday, pushing up to 117.68 cent per pound. Unfortunately, momentum did not hold. With the outside markets softening Wednesday (more on that below), cotton prices moderated as well. March futures settled at 114.72 cents on Thursday, up 38 points for the

week. New buyers seem to be moving into cotton as the daily movements up have been accompanied by a growth in the number of open contracts. Open interest gained 6,429 contracts to hit 244,038. Daily trading volumes have also recovered from the holiday lull.

Outside Markets

It was a mixed week for outside markets. The S&P 500 made a fresh all-time-high on Tuesday. Unfortunately, the markets declined sharply on Wednesday after the release of the minutes from the last Federal Open Market Committee meeting. The notes revealed that several committee members were open to swifter, stronger measures to tame inflation. Signals that loose monetary policy could end sooner than expected sent stocks sharply lower. Slightly disappointing jobless claims data didn't help either. The yield on U.S. treasuries was the main bright spot in broader markets. That would usually have put the U.S. Dollar on an upward path, but other countries are also having to raise their interest rates, keeping the U.S. Dollar on more of an equal footing with the currencies of our major trading partners.

Export Sales

Sales for the week ending December 30 were healthy, but shipments were still a disappointment. Exporters made net new sales of 143,200 Upland bales for this marketing year and 44,000 for delivery in 2022/2023. The largest buyers were China (47,000 bales), Pakistan (20,800), Turkey (18,900), and Vietnam (15,200). Pakistan bought 40,500 of the bales for delivery next marketing year. Shipments were just 104,900 Upland bales and 7,200 of Pima. Perhaps some of the low figure is delayed reporting because of the holidays, or perhaps there will be a surprising surge later, but weekly shipments now need to break some records to hit the USDA's current 15.5 million bale

forecast. Market watchers, including the NCC have started to trim their export forecast based on logistics alone.

Weather and New Crop Expectations

Although there was a little snow here last week, there has not been much of a break in the pattern of seasonal dryness in the southwest. Temperatures are finally reflecting winter, but the dryness appears here to stay. The La Nina weather pattern that has made for a dry fall and winter is still there and keeping the long-range outlook the same. Looking forward, Cotton Grower magazine has put out their survey results for 2022 cotton acreage, which came in at 12.538 million acres. On average yield and abandonment, the acreage would produce around 18.5 million bales. The number is a helpful guidepost, but we all know that the average never happens in Texas. Since Texas is 7 million of their surveyed acres, there is a wide variance to potential crop size for the U.S. Drought matters, and the long-range forecast has many analysts biased toward a high abandonment, low production year.

In the Week Ahead:

- Wednesday at 11:00 a.m. Central – WASDE
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call