



**FEBRUARY 8, 2019**

**PRICES DECLINE AS WEEK PROGRESSES, TRADING VOLUMES INCREASE**

- **Prices Fall at Week's Start, Rally Mid-week, and Settle Lower at Week's End**
- **Backlogged Reports Trickle In**
- **WASDE Report Released**
- **National Cotton Council Planting Intentions Survey to be Released Tomorrow**

The futures market started the week off by continuing last Friday's decline. Prices fell to a low of 72.66 on Monday, but the market rallied back above 74.00 on Wednesday as positive sentiment in outside markets provided an updraft for commodities. Unfortunately, nervousness about government policy and trade deals kicked back in on Thursday, which took the wind out of markets, cotton included. March cotton futures ended the week at a marginally lower low of 72.55.

Trading volume was very high this week. Index funds were busy rolling their large, passive long futures positions forward. Merchants and speculative traders were also busily moving out of the March contract as well, but it seems that few traders were interested in leaving the cotton market altogether. Average daily trading volume nearly doubled, and open interest was up 14,261 contracts this week to 249,246, which is its highest level since November.

## **BACKLOGGED REPORTS PAINTING A PICTURE**

Traders continue to take in the slow and steady drip of reports being released by the government. We have now received the backlog of Cotton On-Call reports through January 4, which show that mills made net fixations of 1.66 million bales in the three weeks that prices fell from 78.62 to 70.65. Likewise, we now have the first three missing Commitments of Traders reports that show speculators were aggressive sellers up through January 8. Over that three-week period, the “managed money” category of trader sold out of 9,019 long futures and added 29,274 short futures. The data is still quite old, which reduces its usefulness, but the picture painted so far shows speculators selling prices down and mills willingly buying the fresh lows.

## **EXPORT SALES DATA STILL INCOMING**

Export Sales data is still six weeks behind as the export reporting services has to work through the marketing year changeover before it releases one large catch-up report on February 22. This week’s report showed sales through the week of December 27, and next week’s report will show sales through January 3. Although sales were not what some had hoped, the 228,200 bales of Upland cotton sold in the week ending December 27 were a record for the twenty-second week of the marketing year which always includes either Christmas or New Year’s Day. Shipments were also respectable at 189,800, which was enough to keep this year’s shipment ahead of last year’s pace. Next week’s report is expected to look similar since it will include the New Year’s holiday.

## **FEBRUARY WASDE REPORT RELEASED**

Even though the market had not received the USDA’s supply and demand estimates since December, Friday’s WASDE report did little to move the market. US production was forecast at 18.39 million bales, versus 18.59 in December, but US domestic consumption was lowered 100,000 bales to 3.2 million. In sum, US ending stocks decreased by

100,000 to 4.3 million bales. World ending stock were revised up 2.31 million bales to 75.5 million bales. World production declined of 300,000 bales, but consumption was reduced 1.99 million in China (1.0 million), India (500,000), Turkey (200,000) and Vietnam (200,000).

## **NATIONAL COTTON COUNCIL PLANTING INTENTIONS SURVEY ANTICIPATED**

Despite Index fund rolling, March options expiring, and the February WASDE report, March futures oddly confined themselves to the 56 point range from 72.45 to 73.01 in Friday's trading. Either the market has found an equilibrium price for cotton or there just isn't enough clarity to set a direction yet. The latter is more likely. Tomorrow morning the National Cotton Council will release the results of its annual early season Planting Intentions survey, which is broadly expected to show more cotton acreage next year. The council's report is highly respected and traders will be paying attention. Nevertheless, the current market is deeply sensitive to macroeconomic outlook and investor sentiment, especially with regards to any news of about trade.

### **IN THE WEEK AHEAD:**

- Cotton On-Call as of January 11, 2018 will be released Monday at 2:30 p.m. Central Time.
- Commitments of Traders as of January 15 will be released Tuesday at 2:30 p.m. Central Time.
- Exports Sales Report for the week ending January 3 will be released Thursday at 7:30 a.m. Central Time.
- Cotton On-Call as of January 18, 2018 will be released Thursday at 2:30 p.m. Central Time.
- Commitments of Traders as of January 15 will be released Friday at 2:30 p.m. Central Time.