



**JANUARY 8, 2021**

## **COTTON FUTURES START 2021 WITH A BANG**

- March Futures Hit Two-Year High
- Commodity Indexes Rally Back to Pre-pandemic Levels
- Exports Up Compared to Same Time Last Year
- Cotton Grower Magazine Releases Acreage Survey Results for Next Year

Cotton futures started 2021 with a bang. March futures opened the holiday-shortened trading week slightly up at 78.25 cents per pound and surged to a fresh two year high of 80.93 cents on Wednesday. In fact, the open also served as the low for this week's trading. March futures settled at 79.76, up 164 points for the week. Trading volumes were the heaviest in weeks, and the number of open contracts surged 13,650 contracts to 237,240. While open interest has rallied sharply, the level is still well below

recent peaks and far below long-term highs, which indicates there is still room for the usual market participants to enter new positions.

## **OUTSIDE MARKETS**

With the Democratic candidates in Georgia winning both seats and flipping the senate majority narrowly to the Democratic party, investors rushed to invest any remaining idle cash on expectations that more stimulus funds will soon flow from Washington. The “risk-on” attitude was also reflected by investors selling off treasuries to invest more dollars in riskier assets. Commodities were also caught in the updraft, with commodity indexes rallying back to pre-pandemic levels. Federal Reserve minutes also affirmed the markets by giving indications that the central bank intends to telegraph any intention to raise interest rates far in advance of changing policy. The additional fiscal and monetary loosening sent the U.S. dollar to its lowest level in nearly three years.

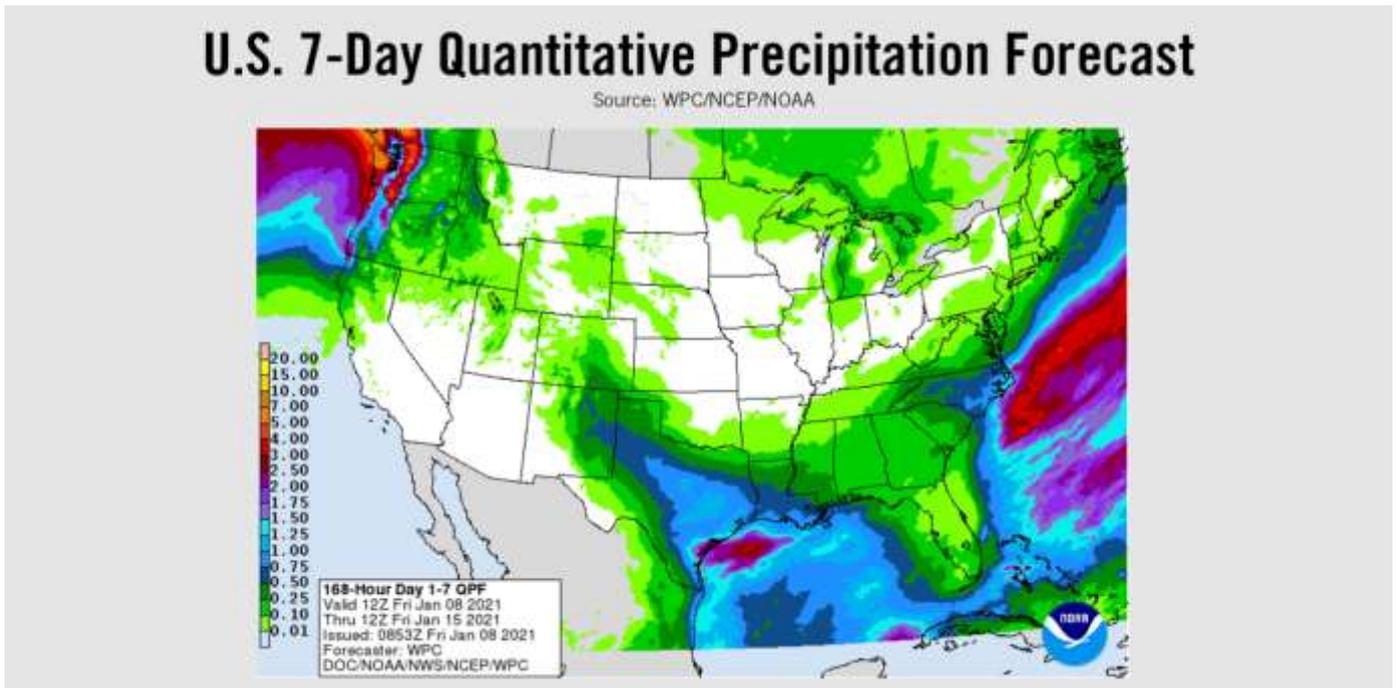
## **EXPORT SALES**

For the week ending December 31, demand for U.S. cotton was a bit weaker. That is to be expected with Christmas Day shortening business activity. Exporters booked 153,100 bales of net new Upland sales and 6,200 bales of Pima. The largest buyers included Pakistan (69,500 bales), China (36,700), and Turkey (24,900). Unlike the minor slowing in sales, the pace of shipments has continued to soar. 270,000 Upland bales and 12,400 Pima bales shipped last week, keeping the total number of accumulated exports for the season at a record-high pace. For the 2020/2021 marketing year, the U.S. has already exported 5.87 million bales, which is 1.77 million more than at this time last year.

## **2021 CROP PROSPECTS**

Cotton Grower Magazine drew attention to crop prospects by releasing the results of their acreage survey for next crop year.

The survey showed what many traders already knew, which is that back-to-back bad experiences with cotton in the Southeast and high-priced soybeans will likely draw more acres away from cotton this year. The survey predicted acres to fall nearly 5% to 11.61 million. On top of that decline, it looks like a modest La Niña event may linger into Spring. The current long-range forecast has continued drying and warmer weather across the Cotton Belt, which makes it look unlikely that the current drought will end any time soon.



## THE WEEK AHEAD

Nothing beats the WASDE in cotton traders' focus, and with the January report coming out on Tuesday at 11:00 a.m. central, traders are busily reviewing expected changes. NASS will also publish the Crop Production Report simultaneously, which will be the last update to this year's crop until ginnings are finished. Beyond these reports, trader attention will again return to the Export Sales Report Thursday to see whether demand recovered after the holidays.

## IN THE WEEK AHEAD:

- Tuesday at 11:00 a.m. Central – WASDE and Crop Production Reports

- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call
- Friday at 2:30 p.m. Central – Commitments of Traders