



**OCTOBER 08, 2021**

**DECEMBER FUTURES FINISH 581 POINTS UP FOR THE WEEK**

- **Stocks Struggled in Sideways Motion Until Thursday**
- **Rains Delay Harvest to Slowest Pace Since 2013**
- **October Crop Production and WASDE Reports Next Week**

Futures prices stalled slightly last Friday after making another fresh high. On Monday, the December contract found support at the week's low of 103.58 cents per pound before turning higher. And, by "turning higher" we mean shooting straight up. Prices went straight to limit up on light volume Tuesday and gapped higher Wednesday, again rushing up the maximum price change

limit to the week's high at 113.93 cents before giving a little back. Thursday's action was very two-sided, surging higher overnight and trading lower into the start of U.S. trading hours, but ultimately finishing the week at 111.61 cents, up 55 points for the day and 581 points for the week. Although volume was limited by the locked-limit pricing on Tuesday, the average daily trading volume was on par with last week's surge, but open interest was nearly unchanged. The total number of open contracts fell just 162 lots to 289,200.

## **Outside Markets**

Stocks struggled in sideways motion until Thursday, when Federal lawmakers reached a deal to fund the government through early December. Markets breathed a sigh of relief, with both the Dow Jones Industrial Average and the S&P 500 surging higher. Russia also cheered markets by arranging to supply more natural gas to Europe, where a spike in energy prices has caused concerns about economic growth. U.S. economic growth expectations also improved as last week's initial jobless claims were lower than expected. While that initially reminded the markets that the Federal Reserve will have to start tapering soon, the relief of the temporary debt deal won the day. The healthier economic outlook and continuing supply constraints caused by global logistical problems and by inability or unwillingness of producers to increase output has lifted the entire commodity space. Energies are leading the way, but with companies like Levi's touting major revenue growth, cotton has not been far behind.

## **Export Sales**

Futures prices rallied from 92 to 106 cents during the week ending September 30, so it is not surprising that export sales for that reporting week were a bit slower than on the previous report. Net new sales were still at a healthy level with 246,700 Upland bales, and 13,700 Pima bales were also booked. China

led as the biggest buyer with 174,500 bales of net new purchases. Guatemala (33,000), Turkey (18,200), Vietnam (14,200), and Indonesia (11,400) followed China in buying. Combined shipments totaled 128,800 bales, which is below average for this time of the year, reflecting how tight current stocks are as we wait for harvest to really get going. Sales for shipment in the next marketing year of 55,000 bales were primarily made to China.

## **Crop Progress and Weather**

Heavy rains across the Cotton Belt continued to delay harvest progress to the slowest pace since 2013, with only 13% of the belt now harvested. The percentage of the crop that is still rated “Good” or “Excellent” slipped a little in the normal seasonal deterioration that we tend to see in late September and October, but it is still much higher than in recent years at 62%. Unfortunately, there is more rain in the forecast next week that may continue to delay harvest from the Rolling Plains in Texas over to Arkansas. Hopefully, weather will become more favorable in time for harvest.

## **The Week Ahead**

The Chinese market reopened on Friday and traders will be closely watching how the Chinese reserve’s extended auction is received. In addition to that, the market is eagerly awaiting the October Crop Production and WASDE reports, which will be released on Tuesday at 11:00 a.m. Central.

## **In the Week Ahead:**

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress and Condition
- Tuesday at 11:00 a.m. Central – Crop Production and WASDE
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call