



SEPTEMBER 8, 2023

DECEMBER FUTURES REACHED HIGHEST LEVEL IN A YEAR BEFORE TURNING LOWER TO FINISH THE WEEK

- Crude Oil Prices Reached Highest Level in 2023
- Delayed U.S. Export Sales Report Held Higher than Expected Demand for U.S. Cotton
- Crop Conditions Basically Unchanged from Week Prior

The holiday-shortened trade week did not lack action. On Friday, December futures continued to move higher, briefly touching 90 cents per pound, before eventually settling at 89.95 cents per pound. This is the highest level seen in over a year. After the long weekend, futures prices turned lower, and the descent continued for the remainder of the week. Pressure was added

from the Chinese market, speculative selling, and slightly improved crop conditions in Texas. For the week ending September 7, December futures settled at 85.38 cents per pound, showing a loss of 244 points from the week prior and posting three days of consecutive losses. Open interest continues to rise, and at one point this week, the biggest one-day increase seen since 2011 was reported. Since last week, total open interest managed to add 16,011 contracts to reach 228,363.

Outside Markets

Much like cotton, outside markets went into the weekend on a good note after the Labor Department's jobs report showed that the U.S. unemployment rate rose to 3.8%. The enthusiasm was short-lived, and major indexes were mixed after the long weekend. Data out of China reported a slowdown in the service industry and the ever-present inflation worries in the U.S. weighed on stocks throughout the week. Despite the higher unemployment rate reported last Friday, weekly initial jobless claims fell to a 7-month low of 216,000, a sign of a persistently strong labor market. Crude oil rose to the highest level seen so far in 2023. Worries of a decreased supply in oil intensified when Saudi Arabia and Russia announced extended production cuts through the end of the year. The U.S. Dollar rose to an almost 6-month high this week on the economic data released this week.

Export Sales

Due to the Labor Day holiday, the Export Sales Report for the week had a delayed release. Because of this, market activity for the week due to the report is not discussed in the above sections, but it is still important to see what type of weekly demand there is for U.S. cotton. For the week ending August 31,

the Export Sales Report held higher than expected sales. Net sales of 85,100 Upland bales and 2,800 Pima bales were reported for the 2023/24 crop year. Sales continue to lag for what is typical at this point in the marketing year. The biggest buyer for the week was Mexico, booking 28,900 bales, followed by Costa Rica with 22,400 bales, China with 16,200 bales, Vietnam with 11,700 bales, and Thailand with 4,800 bales. Shipments were also lower than what is usual at this point in the year. A total of 175,400 Upland bales and 4,400 Pima bales were shipped.

Weather and Crop Progress

Little change in the weather was present across the Southwest this week, small amounts of precipitation and above average temperatures were reported. The heat is set to continue into the weekend, but much cooler temperatures and the possibility of scattered storms are forecast to move into the South Plains in the coming week. Many areas in South Texas have wrapped up harvest for the year and ginning and classing have taken focus. Crop conditions in the country were basically unchanged from the week prior, a nice relief after weeks of deteriorating conditions.

The Week Ahead

Next Tuesday the World Agricultural Supply and Demand Estimates (WASDE) Report will be released. Little else matters to traders than what USDA reports for the US crop and world demand. The Export Sales and Crop Progress and Condition reports will play their usual role when looking at supply and demand.

- Friday at 2:30 p.m. Central – Commitments of Traders

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