



**APRIL 9, 2021**

## **PRICES RECOVER AS TRADING VOLUMES REMAIN HEAVY**

- U.S. Dollar Rally is a Headwind for Cotton
- U.S. Export Commitments Reach 16 Million Bales
- Bullish WASDE Report Released
- Southwest U.S. Hopeful for Rain

Cotton prices spent the holiday-shortened week recovering from last Thursday's sharp decline. For May futures, Monday's low at 77.65 cents per pound was the low of the week. Price put in strong intraday gains every day of trading but were only able to hold those gains on Thursday after reaching a two-week high at 81.94 cents. May futures settled at 81.41 on Thursday, up 346 points for the week. Trading volumes have been heavy lately as traders roll positions forward to July and December. Open interest managed to gain 2,153 contracts to 230,799, in some

sign that the speculative liquidation that has dominated the past two months has slowed.

## **OUTSIDE MARKETS**

Stocks continued to march higher with both the Dow Jones Industrial Average and the S&P 500 hitting record highs. The market seemed to get a sort of “goldilocks” mix of good news and bad news that was just right for stocks. At the same time the vaccinations continue to roll out rapidly in the United States and the economic outlook continues to improve, this week’s jobless claims were higher than expected. Although that bit of negative economic news did little to affect the continuing rally in stocks, the market has also shifted more funds toward buying treasuries. The yield on the 10-year note fell to its lowest in two weeks, which also helped bring the U.S. dollar lower versus other major currencies. The recent rally in the value of the U.S. dollar has been a headwind for export commodities like cotton.

## **EXPORT SALES**

May futures prices had dipped as low as 77.12 during the week ending April 1, and this week’s export sales report shows that mills were able to take advantage of the lower prices. Shippers made net new sales of 269,900 bales of Upland cotton and 7,500 bales of Pima for delivery this marketing year with another 49,000 Upland bales for delivery after August 1 when the next marketing year starts. Shipments also improved over last week’s lull with 393,300 bales moving. Converted to the same statistical bales that the USDA uses for the WASDE report, U.S. export commitments have reached 16 million bales.

## **WORLD AGRICULTURAL SUPPLY AND DEMAND ESTIMATES**

The USDA released the April WASDE report at 11 a.m. Central on Friday. The report was not particularly surprising but it did have some bullish revisions to the U.S. and World balance sheets. As was widely expected, the USDA increased the U.S.

export forecast by 250,000 bales to 15.75 million. Along with a small change in the loss column, this reduces expected U.S. ending stocks to 3.9 million bales. World ending stocks were also tightened slightly through slightly lower beginning stocks, minor decreases to foreign production, and slightly higher consumption in China, Mexico, and Bangladesh. The sum of changes brought World cotton stocks down 1.13 million bales to 93.46 million.

## **CROP PROGRESS AND WEATHER**

Monday was this crop's first Crop Progress and Condition Report to show any planted acreage for cotton. At this point in the season just Texas (all in the South) and Arizona typically have any meaningful cotton acreage in the ground, and the initial report showed both states slightly above normal pace. Hopefully there will soon be rain to prepare the rest of the Southwest for planting. While the Mid-South and Southeast have seen sufficient rains and even some powerful storms lately, West Texas is still terribly dry. Some would say bone dry. We are hopeful that some rain will come next week, but the forecast calls for thunderstorms rather than a general soaking rain, which may translate to a patchwork of winners and losers if the rain materializes at all.

## **THE WEEK AHEAD**

With the WASDE report behind, cash market traders will be focused on rolling their remaining May positions to July and clearing up any on-call business they have left before May futures First Notice Day. Next Friday is also May options expiration, which will clear even more open positions from the lead contract. Planting weather and export sales activity will soon come back into central focus.

## **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

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