



DECEMBER 10, 2021

PRICES RALLY OFF OF LOW OF THE WEEK, UNABLE TO HOLD MUCH GAIN

- **MARKETS BELIEVE OMICRON RISK LESS THAN ORIGINALLY FEARED**
- **DEMAND FOR U.S. COTTON REMAINED HEALTHY THIS WEEK**
- **LITTLE CHANGE FROM WASDE REPORT**

March cotton futures had their first gain in five days last Friday, attempting to rally off the low of the week at 103.64 cents per pound but unable to hold onto much gain. Thankfully, the buying followed through on Monday and March futures surged to the week's high of 107.31 cents, after which the market seemed to

lose direction. Prices meandered within the top of Monday's range for the rest of the week, and trading volumes were relatively low. The March contract settled at 106.59 cents, up 289 points for the week. Open interest fell 6,109 contracts to 234,968 contracts.

Outside Markets

Last week ended with disappointing payrolls but better than expected unemployment. This week ended with initial jobless claims falling to the lowest in 52 years and a year-over-year CPI reading of 6.8%, the highest level since 1982. Although some economic indicators in the past week were mixed, the majority of new indications about economic outlook have beaten expectations, increasing the pressure on the Federal Reserve to accelerate their tapering process and to hike interest rates sooner rather than later. On the brighter side, markets seem to believe that the Omicron risk is less than originally feared and many markets were able to recover some of the past few weeks' losses. For cotton, the continued strengthening of the economy speaks to good demand. The main risk from outside markets is that U.S. Dollar strength and anticipated Federal Reserve action would lead investors to begin reducing their long exposure to commodities.

Export Sales

Demand for U.S. cotton remained healthy following the week after Thanksgiving. Mills seem to have taken full advantage of last week's price decline. For the week ending December 2, net new sales were 382,600 Upland bales and 7,100 Pima. China was the biggest buyer with 147,700 Upland bales, followed by Turkey (96,100), Vietnam (68,400), Pakistan (25,300), and Thailand (11,700). Shipments have increased from the four-week average but are still behind the usual pace with only 123,504 bales getting shipped. This is still below what the

average weekly shipment rate should be if the U.S. is expected to reach USDA's forecast of 15.5 million exported bales, but shipments still have time to catch up and are just entering the busy season.

WASDE

Thursday also saw the release of the December WASDE report. Little change was expected on the report, and little change is what we got. In the U.S., production increased slightly, with lower yields in the southwest offsetting higher yields elsewhere. Texas' production estimate was lowered 100,000 bales to 8,000,000. On the world balance sheet estimates continue to move toward what price already seemed to know, namely that demand is better than expected and supply was lower than thought at the beginning of the season. India's beginning stocks were lowered 500,000 bales, and consumption increased slightly in a handful of countries including Turkey and Vietnam. Net of a few other production changes, the USDA's forecast for World Ending Stocks decreased 1.2 million bales to 85.73 million.

The Week Ahead

With the WASDE behind the market, traders' attention is a little less divided in the week ahead. Weekly export sales reports and daily classing reports will still be focal points. Outside market risk or how the market may react to the impending tightening of the money supply also need to be kept in view.

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