



JANUARY 10, 2020

MARCH FUTURES GAIN 142 POINTS THIS WEEK

- Trading Volume Heavy
- U.S./China Deal to be Signed Next Week
- WASDE Report Released
- Export Sales Slower
- Spot Market Prices Higher

Despite the conflict with Iran and risk of war that sent markets temporarily lower this week, cotton prices marked fresh highs three of the five trading days, rallying to 70.10 cents per pound on Tuesday, 70.25 cents on Wednesday and 70.85 cents on Thursday. March futures settled at 70.69 cents, up 142 points for the week. The low for the week was made on Monday when prices dipped to 68.50 cents per pound. Trading volumes were

very high, and open interest increased rapidly. The total count of open contracts in the market added 14,069 to hit 235,866.

MARKETS RALLY ON INTERNATIONAL DEVELOPMENTS

Aside from the continuing mystery about how Iran would retaliate, traders were concerned early in the week by a lack of confirmation from China regarding the January 15 signing date that President Trump had posted on Twitter. Furthermore, on Tuesday night Iran conducted a missile strike on Iraqi military bases that house U.S. troops. The direct attack from Iran sent markets lower in overnight trading, but the lack of U.S. or Iraqi casualties and a measured response from the U.S. to de-escalate military action reduced fear in the markets. Additionally, China's government publicly confirmed the travel of its team to Washington for the January 15 signing. Markets, including cotton, rallied in relief, and stock indices set new record highs.

WASDE HIGHLIGHTS

Today's 2019 crop production summary showed continued decreases for the Southwest crop but some small increases in the Mid-South and Southeast. Texas had the biggest reduction with production cut another 200,000 bales to 6.4 million statistical bales. Georgia showed the largest gain at 50,000 bales. The nationwide production estimate decreased 104,000 bales to 20.10 million statistical (480 pound) bales.

The World Agricultural Supply and Demand Estimates (WASDE) had many changes, but nearly all were fairly minor. Production was reduced slightly in Turkey, Mali, Pakistan, and Australia. Consumption also was reduced slightly in Bangladesh, Vietnam and Mexico, but the decline was offset by increased use in Uzbekistan. World production decreased 629,000 bales to 120.48 million, consumption fell 50,000 bales to 120.22 million and ending stocks fell 731,000 bales to 79.59 million bales.

EXPORT SALES DIP

Mill buying slowed for the week ended January 3. Cotton exporters reported just 152,000 bales of net new Upland sales and 5,400 of Pima. New sales of 68,400 bales to Pakistan were hampered by 44,000 bales of cancellation, resulting in net new sales of just 24,400 bales. India also canceled 19,400 bales, dragging the total down for the week. Shipments are still rather slow at just 211,400 Upland bales, but the pace was still marginally better than the same week last year. Sales and shipments are broadly expected to improve on next week's report.

SPOT MARKET PRICES IMPROVE

Through late Thursday afternoon, The Seam's G2B platform traded more than 89,000 bales during the last week. The average price received by producers was 61.66 cents per pound, up 180 points from the previous week's average. The average premium over the CCC loan was 10.19 cents per pound, up 108 points from the previous week's average. G2B offers stood at 296,000 bales.

COTTON CLASSINGS

Classing offices across the U.S. have surpassed 17 million bales classed for the season. Quality from the Corpus Christi Classing Office has been very good for the season as 83 percent classed showed to be tenderable as reported by USDA. The Abilene Classing Office has classed more than 1 million bales with a slight increase in extraneous matter with bales having bark for the week as compared to the season average. The Lamesa Office is approaching 1 million bales classed, and the Lubbock Office has classed roughly 2.3 million bales. The Lamesa and Lubbock offices showed an increased percentage of extraneous matter with bales having bark this week as compared to the season average.

TRADERS WILL CONTINUE TO WATCH EXPORT SALES REPORTS

The crop is mostly in and classed, and the January WASDE report is now behind us. Geopolitical risk is the number one concern of most markets, but for agricultural markets the weekly Export Sales Report will have central focus. Aside from the general gauge of demand it provides, that is the first place broader markets will be able to confirm that China really has begun to purchase U.S. farm goods.

IN THE WEEK AHEAD:

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