



DECEMBER 11, 2020

FUTURES RALLY AND SETTLE UP THIS WEEK

- Futures Hit High of 74.60 Cents
- 853,000 New Jobless Claims Filed
- USDA Production Estimate Decreases

It was a stellar week for the March futures contract. Prices rallied significantly all but one day this week. Last Friday's low of 71.11 cents per pound, which was also last Thursday's settlement, was the lowest price to print in the last five sessions. Futures continued the week's rally on through to Thursday's close, after spiking to a fresh high of 74.60 cents. March futures settled at 74.26, up 315 points for the week. Trading volumes were relatively modest until Thursday's move to new highs. Open interest started to gain again later in the week, but was still down 3,232 for the week to 212,319.

OUTSIDE MARKETS

Stock markets were two-sided this week, ebbing and flowing with the odds of the next Federal aid package. Good prospects for passage took the market to new highs early in the week, but complications took the market back down Wednesday. Congress passed a continuing resolution to keep the government funded for one more week and to free up more room to deliberate stimulus. In the meantime, 853,000 new jobless claims were filed last week, which was well above market expectations. Continuing claims also ticked up for the first time in months, with the seasonally adjusted estimate up 230,000 to 5.76 million.

EXPORT SALES

Exports sales continued to outperform expectations on Thursday's report. For the week ending December 3, U.S. cotton exporters made net new Upland sales totaling 403,000 bales and Pima sales totaling 13,000 bales. On the Upland side alone, 20 different destination markets were active buyers, which is an excellent show of market breadth. Shipments also continued at their record-breaking rate. The reported 349,600 bales are a record for this week of the marketing year, and put the total marketing-year-to-date shipments at 4.73 million bales, which is also a record pace. Overall, the report indicates a strong willingness for mills to take advantage of the price decline that occurred during the reporting period.

CROP PRODUCTION AND WASDE

The USDA released the November Crop Production Report and World Agricultural Supply and Demand Estimates (WASDE) on Thursday. Analysts estimates had called for downward crop revisions, as they had in October and November, when the USDA actually moved production higher. This month, however, the USDA moved its production estimate down 1.143 million bales to 15.949 million, below even the lowest analysts' expectations. Texas production was the main driver, with the

expected crop falling 900,000 bales to 5.2 million. Only California, Missouri, and Tennessee had higher estimates as most states moved lower.

The lower U.S. crop was not the only bullish revision on the balance sheet. November's WASDE Report also raised the U.S. export forecast 400,000 bales to 15.0 million. With smaller production, greater exports and a small downward revision in the "loss" column, U.S. ending stocks were cut 1.5 million bales in total. U.S. ending stocks are now expected to be 5.7 million bales at the end of the marketing year. Lower production in Pakistan, India, and Australia and higher consumption in India and China tighten foreign stocks by 2.42 million bales. Overall, world ending stocks tightened 3.92 million bales, as this year's production fell below this year's expected use.

THE WEEK AHEAD

With the WASDE Report behind us and the crop mostly in, traders will continue to focus on daily classing and the host of macroeconomic factors affecting general market sentiment. Vaccine rollouts and any potential federal aid are worth watching. Within the cotton market, daily classing reports and weekly export sales data will continue to be focal points.

IN THE WEEK AHEAD:

- Friday 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