



APRIL 12, 2019

BULLISH NEWS LIFTS FUTURES AT WEEK'S END

- DECEMBER MAKES NEW HIGH FOR THE YEAR
- WASDE FAILS TO SPUR ACTIVITY
- TRADE TALKS MAKE PROGRESS
- CHINA ANNOUNCES IMPORT QUOTA INCREASE

COTTON PRICES BEGAN THE WEEK WITH FOLLOW THROUGH FROM LAST FRIDAY'S RALLY. MAY FUTURES TRADED TO A HIGH OF 79.31 CENTS PER POUND TUESDAY BUT FELL BACK TO LOW OF 76.86 CENTS THURSDAY. FORTUNATELY, BULLISH NEWS HELPED LIFT THE MARKETS ON TODAY, AND MAY SETTLED AT 78.11, DOWN JUST 14 POINTS WEEK OVER WEEK. WHILE JULY FUTURES LARGELY FOLLOWED THE SAME PATH AS MAY,

DECEMBER FUTURES PERFORMED BETTER. THE DECEMBER CONTRACT MADE A NEW HIGH FOR THE YEAR AT 77.75 TODAY. IT SETTLED AT 77.19, UP 30 POINTS FOR THE WEEK. VOLUME WAS HEAVY AS THE MARKET MADE FRESH HIGHS, AND INDEX FUNDS ROLLED THEIR MAY POSITIONS FORWARD TO JULY AND DECEMBER. MUCH OF THE ACTIVITY SEEMED TO BE EXITING THE MARKET AS OPEN INTEREST FELL TO ITS LOWEST LEVEL THIS YEAR. THE NUMBER OF OPEN CONTRACTS DROPPED 15,160 TO FINISH THE WEEK AT 216,476.

APRIL WASDE

PRICES HAD ALREADY STARTED TO FALL BEFORE USDA RELEASED THE APRIL WORLD AGRICULTURAL SUPPLY AND DEMAND ESTIMATES (WASDE) REPORT TUESDAY. THE REPORT DID NOT SPUR MUCH ADDITIONAL ACTIVITY AND SEEMS TO HAVE BEEN LARGELY IN LINE WITH TRADERS' EXPECTATIONS. INSIDE THE U.S., THE ENDING STOCKS PROJECTION WAS REVISED 100,000 BALES HIGHER ON LOWER DOMESTIC MILL USE. CROP AND EXPORT EXPECTATIONS WERE UNCHANGED. WORLD ENDING STOCKS WERE REVISED UP 350,000 BALES TO 76.44 MILLION. WORLD SUPPLY WAS MARGINALLY LOWER AS LOWER BEGINNING STOCKS OFFSET A SMALL INCREASE IN PRODUCTION. WORLD USE FELL 410,000 BALES TO 123.18 MILLION.

CHINA ESTIMATES

AMONG THE MANY SMALL CHANGES NOT CAPTURED IN THE SUMMARY FIGURES WAS A 500,000-BALE INCREASE (TO 8.0 MILLION) IN CHINA'S PROJECTED IMPORTS. THIS WEEK'S EXPORT SALES REPORT SUPPORTED THAT REVISION AS CHINA WAS ONE OF THE LARGEST BUYERS OF U.S. COTTON LAST WEEK. OF LAST WEEK'S 289,000 BALES OF UPLAND COTTON SOLD FOR DELIVERY THIS YEAR AND THE 205,900 SOLD FOR

NEXT YEAR, CHINA WAS A BUYER OF 43,600 AND 36,500 BALES, RESPECTIVELY. WHILE VIETNAM AND INDIA WERE LARGER BUYERS LAST WEEK, THE FACT THAT CHINA IS BUYING BEFORE THE TARIFF ON U.S. COTTON HAS BEEN LIFTED CAUGHT THE MARKET'S ATTENTION. THAT INDIA HAS TRANSFORMED FROM EXPORT COMPETITOR TO LARGE BUYER ALSO SURPRISED ANALYSTS.

STATUS OF TRADE TALKS

THIS WEEK'S NEWS FEATURED SEVERAL POSITIVE DEVELOPMENTS IN THE U.S./CHINA TRADE DISPUTE, TOO. SECRETARY MNUCHIN REPORTED THAT CHINA AND THE U.S. HAVE BASICALLY AGREED ON ENFORCEMENT MECHANISMS, AND THERE SEEMS PROGRESS ON HOW CURRENCY AND CLOUD COMPUTING WILL BE HANDLED, AS WELL. HOWEVER, TRADERS HAVE BECOME NUMB TO SUCH DEVELOPMENTS, AND IT WAS NOT UNTIL EARLY FRIDAY MORNING THAT THE MARKET GOT THE SORT OF NEWS THAT IT STILL FEELS COMFORTABLE RELYING ON, NAMELY THAT THE CHINESE GOVERNMENT HAD DECIDED TO ALLOW ANOTHER 800,000 TONS (ABOUT 3.6 MILLION BALES) WORTH OF IMPORT QUOTA TO BE DISTRIBUTED IN THE NEXT FEW MONTHS. FUTURES RALLIED SHARPLY ON THE NEWS.

CROP PROSPECTS

DEMAND IS THE CENTRAL FOCUS FOR THE NEXT FEW MONTHS, BUT MANY TRADERS ARE ALREADY DIVERTING THEIR ATTENTION TO NEW CROP PRODUCTION. PROSPECTS IN THE SOUTHWEST ARE SOMEWHAT BETTER THAN LAST YEAR, AND THE TEXAS PANHANDLE, OKLAHOMA AND KANSAS ARE FORECAST TO RECEIVE HELPFUL RAIN AND EVEN SOME SNOW OVER THE NEXT FEW DAYS. IT IS STILL TOO EARLY TO SAY HOW WEATHER WILL AFFECT THIS CROP, BUT THERE ARE RISKS ON THE

HORIZON, TOO. UNFORTUNATELY, MORE SNOW AND RAIN ARE IN THE FORECAST FOR THE MIDWEST AND MID-SOUTH, TOO. EXCESSIVE MOISTURE REMAINS A SIGNIFICANT RISK IN THE DELTA BUT HAS NOT YET AFFECTED COTTON PROSPECTS. NEVERTHELESS, TRADERS ARE NOW CLOSELY MONITORING CROP PROGRESS AND WEATHER REPORTS IN ADDITION TO THE WEEKLY EXPORT SALES.

IN THE WEEK AHEAD:

- 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
- FRIDAY AT 2:30 P.M. CENTRAL – COMMITMENTS OF TRADERS