



NOVEMBER 12, 2021

**INFLATION IS HEADLINE OF WEEK FOR BROADER
MARKETS**

- **MARCH CONTRACT PERFORMS BETTER THAN
DECEMBER**
- **U.S. CONSUMER PRICE INDEX BEATS ANALYSTS'
EXPECTATIONS**
- **WASDE HIGHLIGHTS**
- **BULK OF EXPORT VOLUME TO CHINA**

December futures traded sideways in the upper half of last week's range. After trading to a low of 115.77 cents per pound on Friday, prices began to find support. Strength continued

through Wednesday morning when prices touched the week's high at 120.75 before retreating. December settled at 118.54 cents on Thursday, up 208 points for the week. Trading volumes were heavy as traders moved their futures positions forward to the March contract, which performed better than December. March futures were up 250 points for the week to 115.41. Open interest gained 1,766 contracts to reach 285,975.

Outside Markets

Inflation was the headline of the week in the broader markets. The U.S. Consumer Price Index rose 0.9% month-over-month and 6.2% year over year in October, easily beating analysts' expectations. The year-over-year inflation rate has not been above 6% for decades. The biggest concern for markets now is how soon and by how much the Federal Reserve will raise interest rates, but doubts about moves to tame inflation are quickly receding. Riding on the expected increase to U.S. interest rates, the U.S. Dollar Index rallied to its highest level since July 2020. The S&P 500 and Dow Jones Industrial Average both retreated from fresh all-time-highs made early this week.

World Agricultural Supply and Demand Estimates

The USDA released the November WASDE update on Tuesday, providing the market with a fresh round of fundamental information to consider. The U.S. portion of the global cotton balance sheet was relatively unchanged. The USDA increased the crop forecast by 194,000 bales to 18.198 million and let the additional cotton carry through to U.S. ending stocks, which are now forecast to be 3.4 million bales. Most of the crop increase was in Texas (+100,000 bales), Georgia (+50,000), and North Carolina (+50,000).

Foreign supply and demand figures were not heavily revised, but the world ending stocks forecast did decrease 200,000 bales to

86.93 million. Notable changes included lower beginning stocks in India (-800,000), higher production in Brazil (+700,000) and Australia (+600,000), and several small increases that raised the global consumption estimate 700,000 bales to 124.1 million bales.

Export Sales

Prices ranged from 112.15 to 121.76 during the week ending November 5, and it seems that the price surge was able to slow demand slightly. Exporters booked 128,000 Upland bales of net new sales and shipped 87,900. Pima sales were also slower at 6,600 bales, and merchants shipped 9,600. Although there was still a good representation of buying countries, the bulk of last week's volume was to China, which purchased 78,800 bales. Bangladesh (16,800), Turkey (13,300), and Pakistan (8,100) were the next largest buyers.

The Week Ahead

With Commodity Index rolling and option expiration behind us, the market will turn its focus back to the incoming harvest and the fixations that remain for on-call contracts in December. November 23 is the first notice day for the December contract, when merchants can begin to issue notices of delivery and when the price limits will be removed on December futures. The remaining on-call will have to be fixed before then. Otherwise, daily classing and weekly export sales return to 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