

A photograph of a cotton field with green leaves and a dirt path, serving as a background for the title.

Cotton Market Weekly

APRIL 16, 2021

FUTURES RALLY AS PRICES MOVE UPWARD

- Softer U.S. Dollar is a Tailwind for Commodities
- Mill Demand Continues
- Early Planting on Schedule
- All Eyes on Upcoming Weather Forecasts

Futures prices rallied four out of five days since last Thursday. May futures prices rallied to 83.43 cents per pound last Friday after the WASDE report, but fell sharply on Monday. After setting the week's low at 79.84 cents on Tuesday, the rally resumed. Prices continued moving upward through the end of the week. Prices settled at 85.02 on Thursday, up 361 points for the week. Traders continued to shift positions from the May contract to both July and December, making for high levels of daily trading volume. Open interest fell 7,198 contracts to 223,601.

OUTSIDE MARKETS

Stocks continued to surge higher this week. Good economic news helped to propel major indices to fresh all-time-highs. Consumer price data showed higher than expected inflation, but the market read that news as a sign that consumers are absorbing higher prices in stride. The March retail sales data confirmed that interpretation on Thursday, showing a 9.8% increase in sales over February. Jobless claims were another shot in the arm. Initial claims fell to 576,000, which was well below average estimates of 700,000. Despite the good news, Treasury yields have softened, weakening demand for the U.S. dollar as lower rates attract less global investment. The softer dollar has been a tailwind for commodities. Crude oil has also jumped as demand has exceeded expectation and inventories have fallen.

EXPORT SALES

Export sales seemed to disappoint the market this week. Prices dipped 150 points in the hour after the report's release but also managed to recover losses by the close of trading on Thursday. In the week ending April 8, shippers made net new sales 122,300 bales of Upland for this year and 22,800 bales for next. The biggest buyers were Turkey (29,400 bales), Pakistan (21,800), and Vietnam. Combined shipments of Upland and Pima were healthy at 329,600 bales. Although the sales were somewhat lower than expected, mill demand has continued and most shippers expect healthy sales to continue over the remaining 16 weeks of the marketing year.

CROP PROGRESS AND WEATHER

This week's Crop Progress Report showed that early planting is on schedule. Eight percent of the expected acreage is now planted, versus a five-year average of 7% at this time. While much of the Rolling Plains received decent rainfall this week, the High Plains, which represent over four million acres of planted

area, did not get much at all. In fact, 100% of the Southern High Plains was “short” or “very short” of both subsoil and topsoil moisture according to USDA data on Monday. There is still some time before the main planting window comes, and we hope the outlook for the High Plains improves quickly.

THE WEEK AHEAD

Cotton is certainly in a weather market, meaning that market opinions will be rather sensitive to weather forecasts for the next several weeks. Beyond weather, Crop Progress and Export Sales reports are the main focal points going forward.

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