



DECEMBER 16, 2022

**MARCH FUTURES HAD A WEEK OF TWO-SIDED
TRADING RANGES**

- **OUTSIDE MARKETS HAD BUSY WEEK**
- **EXPORT SALES WERE TRIVIAL**

March cotton futures had a week of two-sided trading ranges, but overall remained relatively unchanged for the week ending Thursday, December 15. After last week's bearish WASDE report, downward pressure on prices started the week. On Tuesday, macroeconomic data took over and cotton prices reversed and touched the limit before settling with triple digit gains. Cotton was trading higher Wednesday before the interest rate increase was announced. Once news of the increase was

received, cotton prices went back down for a small loss. Thursday was another sideways day of trading, and March futures ended the week at 81.03 cents per pound, up just 18 points for the week. Total open interest ended the week at 198,914 contracts, up 3,450 and the highest level since mid-November.

Outside Markets

Outside markets had a busy, data-driven week. On Friday, the Producer Price Index (PPI) came in stronger than expected, showing a 0.3% month-over-month rise, hinting that the economy might not be slowing down as much as expected and sending markets down. Come Monday, traders were anticipating the Consumer Price Index (CPI) reading and how much the Fed was going to increase interest rates. On Tuesday, CPI fell more than what was expected, revealing a month-over-month rise of 0.1% and a year-over-year increase of 7.1%, which was below the 7.3% that was expected. Equities reacted positively to the sign of a cooling economy, but still closed off their highs for the day in anticipation of the interest rate increase. On Wednesday, interest rates were raised 50 basis points, the smallest increase that has been put into effect since May. Although the increase was not as steep as has been implemented previously, the Fed's comments after were still hawkish for the economy, and outside markets settled well off the highs for the week. Retail sales in the U.S. also declined 0.6% month-over-month, worse than the 0.1% forecasted. While this was the biggest drop seen in 11 months, the seasonally adjusted reading is still the second highest that it has ever been, showing that sales have not completely fallen apart. Initial jobless claims fell to 211,000, an 11-week low and another sign the labor market is not slowing as anticipated. Between hawkish Fed comments, weaker Retail Sales data, and

low jobless claims, outside markets finished the week sharply lower. Lastly, the U.S. Dollar Index hit a five-month low before rallying upon the weaker than expected economic news.

Export Sales

The U.S. Export Sales report showed trivial sales for the week ending December 8. Net sales of 18,600 Upland bales were reported for the 2022/23 crop year and 28,200 bales for the 2023/24 crop year. The biggest buyer for the week was South Korea, who purchased 17,900 Upland bales, followed by China with 10,900 bales, and Mexico with 4,600 bales. Cancellations were more pronounced on this report as well, with net cancellations of 47,500 bales for the week. Shipments were similar to what was reported last week, with 141,900 Upland bales exported. Lastly, Pima sales of 1,300 bales were booked for this crop year, with a total of 3,800 bales shipped.

The Week Ahead

Markets have been moving fast and furious the past few weeks, with both fundamental and outside data getting the chance to be the driving force. After the excitement observed recently, next week should be a relatively light week for both the cotton market and outside markets. With outside markets having so much sway recently, traders will keep their focus on them. Additionally, the usual attention will be on ginning data, classing reports and the Export Sales Report for cotton specific news.

- 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