



**OCTOBER 16, 2020**

## **DECEMBER FUTURES REACH HIGHEST PRICE SINCE JANUARY**

- Continuing Jobless Claims Continue to Fall
- Export Sales Report Showed Shipments Continue at Strong Pace
- Texas Crop 36% Harvest
- Crop Progress and Conditions Focus Going Forward

Cotton futures marked this week's high on Monday when the December futures price rallied to 69.47 cents per pound, which was the highest price since January. December futures traded between 68.26 and 69.39 cents for the next three sessions on decreasing volume, but were able to close slightly higher each session. Thursday's settlement price was 69.22 cents, up 173 points for the week. Open interest continues to rally with the

price. Traders added 7,076 new open contracts to bring total open interest to 234,072, its highest level since January.

## **OUTSIDE MARKETS**

Stocks had a mixed week. Markets continue to grapple with a general nervousness about the U.S. election as well as on-again-off-again stimulus talks in DC. Investors were also troubled by the re-imposition of some lockdown measures in both London and Paris this week as the rate of new coronavirus infections in Europe continued to surge. Concern about Europe sent money rushing back toward the U.S. Dollar and out of the Euro, which pushed up the dollar's value in foreign exchange markets. The U.S. economy is not out of the woods, either. This week's jobless claims report showed 886,000 initial claims (not seasonally adjusted), which was higher than last week. On the brighter side, continuing claims continued to fall sharply. Continuing claims were 9.63 million (not seasonally adjusted), down 1.18 million from the prior week.

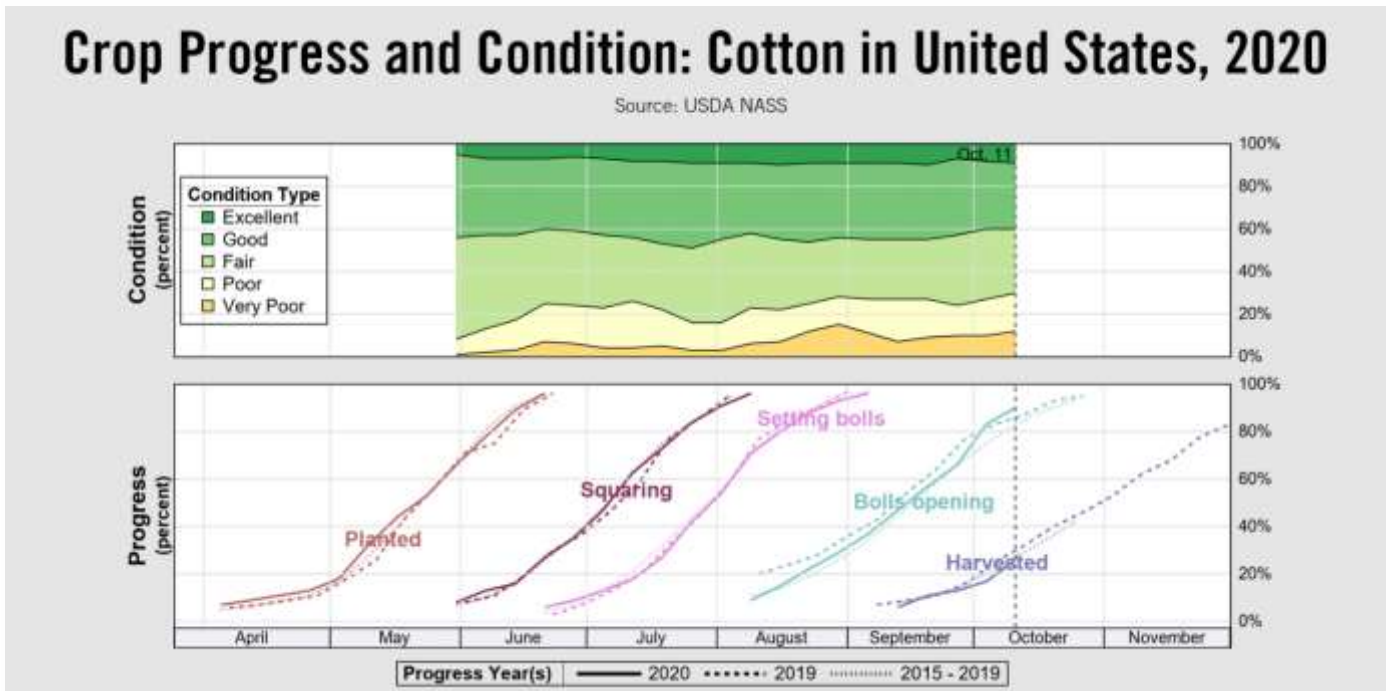
## **EXPORT SALES**

Last week U.S. exporters were able to sell another 98,900 bales of Upland cotton and another 17,800 bales of Pima. The new sales were relatively low compared to recent years, but U.S. cotton remains fairly well-committed in light of the smaller crop we have this year. Shipments have continued at a strong pace, with another 192,600 bales of Upland and 12,700 bales of Pima leaving the U.S. last week. Accumulated exports for the season have surpassed 2.6 million bales, which is far ahead of the expected pace to hit the current USDA target of 14.6 million statistical bales.

## **CROP CONDITIONS AND WEATHER**

This week's Crop Conditions and Progress Report showed fewer declines in crop condition than many feared given the repeated beating that the Mid-South crop has taken from hurricanes this year. Thankfully, Louisiana had reached 61% harvested by the

end of last week, leaving less in the field to be affected by Hurricane Delta. Not many other places are as far along, unfortunately. 12 of the 15 states in the report are behind their five-year average harvest pace. The dry weather in the Southwest has made Oklahoma and Texas two of the exceptions alongside California. Texas is 36% harvested versus its average pace of 26%.



## THE WEEK AHEAD

Slower export sales will keep traders eyes pinned to next week’s export sales report. The weekly Crop Progress and Condition report will also be a key focal point as the market waits for a delayed harvest to get underway in the Mid-South and Southeast. Daily classing reports have also moved front-and-center to confirm whether adverse harvest weather has caused a material downgrade in crop quality. Unfortunately, the upcoming election is adding volatility to the broader markets and the threat of renewed lockdowns is raising its head again. While they are not expected to be as severe as the last round, they could have an effect on market sentiment and outlook. The macroeconomic risk is worth monitoring.

## IN THE WEEK AHEAD:

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress Report
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call