



**FEBRUARY 19, 2021**

## **MARCH FUTURES GO OUT WITH A BANG**

- May Futures Mark High at 90.77
- Jobless Claims Increase
- China This Week's Top Buyer of U.S. Cotton
- USDA Holds Virtual World Agricultural Outlook Conference

March futures are going out with a bang. Prices made fresh life-of-contract highs three out of four days in this holiday-shortened week. March futures touched the week's high at 89.23 cents per pound in the early hours of Thursday's trading. May futures, which is now where most of the trading activity is occurring, broke through 90 cents to mark a high at 90.77. March futures settled at 88.73, up 232 points for the week. May futures settled at 90.30, up 243 points for the week. With traders almost completely out of the March contract, daily volumes have started

returning to normal. Total open interest is down 285 contracts from last Thursday to 247,058.

## **OUTSIDE MARKETS**

Stocks pushed to marginal new highs this week as economic data beat expectations. U.S. retail sales were up 5.3% in January versus survey expectations of 1.2%. Clothing sales were up from December but still lag behind last year. Furniture and home furnishings continue to impress as low interest rates have continued to fuel home buying and investment. Producer prices are reflecting a healthy recovery and the Producer Price Index is up 1.7% year over year, versus an expected increase of 0.9%. Unfortunately, jobless claims increased to 861,000 this week, up 13,000 from the prior week's level and above market expectations. Continuing claims fell just 64,000 to 4.49 million. Housing starts also showed signs of weakness as lumber prices soar to new highs. The uneven recovery, which has markets cheering additional stimulus, is at odds with the inflationary pressures in the market, which has whipsawed the value of the U.S. Dollar this week.

## **EXPORT SALES**

The Export Sales Report for the week ending February 11 showed net sales of 119,500 bales of Upland cotton for 2020/2021, 2,100 bales for 2021/2022, and 14,600 bales of Pima. Sales of Upland cotton were mainly to China (44,100 bales), and followed by Vietnam (27,200 bales). Sales for the 2021/2022 season were dominated by Turkey, where mills purchased 11,000 bales, but were offset by reductions for Bangladesh (8,900 bales). Shipments for the week were down 28 percent from the previous week at 311,800 for Upland cotton. Pima cotton exports were 11,800 bales for the week up 67% from last week.

## **WORLD AGRICULTURAL OUTLOOK**

The USDA held its first virtual World Agricultural Outlook conference on Thursday and Friday of this week. The conference features the USDA's first in depth look at the 2021/2022 marketing year and provides a sort of starting point for forecasting what supply and demand may be next year. Most analysts seemed to expect cotton planted acres somewhere between the NCC's 11.47 million acres and last year's 12.09, with the rest of the balance sheet somewhat similar to what the Council released last week. Figures from USDA showed 2021/22 planted acres at 12.00 million acres leaning to the high side of analysts' projections. U.S. ending stocks for 2021/22 is projected at 3.8 million bales vs. current crop estimated by USDA at 4.3 million bales. World ending stocks for 2021/22 were projected at 93.2 million bales vs. current crop estimates of 95.7 million bales.

## **WEATHER**

The massive winter storm that shook the South from New Mexico to North Carolina was the central story this week. Tragic power failures have caused pain, suffering, and loss in Texas, Louisiana, and Mississippi. Early sown crops have also been lost, and there may be significant damage to wheat crops as well. Thankfully, temperatures should be warmer in the Southwest and Mid-South next week, with chances for rain resuming the week after that.

## **THE WEEK AHEAD**

Merchants will be focused on winding down the last bit of their March futures over the next week. Otherwise, attention turns back to demand as buyers in East Asia return to the market following their New Year festivals. Attention will fall back to the Exports Sales Report, which is expected to show a slowdown in shipments caused by the severe weather.

## **IN THE WEEK AHEAD:**

- Friday at 7:30 a.m. Central – Export Sales Report

- Friday at 2:30 p.m. Central – Commitments of Traders
- Thursday at 2:30 p.m. Central – Cotton-On-Call