



MARCH 19, 2021

**WEEK BRINGS POSITIVE ECONOMIC OUTLOOK AND
SIDEWAYS TRADING**

- Federal Reserve Announces Positive Economic Outlook
- U.S. Export Sales Bright Spot for Traders
- Warm and Dry Planting Season Ahead
- Export Sales Report Coming Thursday

May futures prices traded sideways to lower for most of the week. Last Friday's high at 88.49 cents per pound was the week's high over the past five sessions. May futures settled at 85.45 cents on Thursday, down 290 points for the week and just 10 points above the week's low at 85.35. Daily trading volumes have crept lower in recent sessions, while open interest has stabilized after several weeks of decline. The total number of open contracts was up 592 to 232,282.

OUTSIDE MARKETS

The Dow Jones Industrial average closed over 33,000 for the first time on Wednesday as the Federal Reserve announced both a more positive outlook for the economy and maintained its commitments to low interest rates for the next several months despite rising inflation expectations. Enthusiasm kept up until the market saw the next day's initial jobless claims at 770,000, about 10% above expectations. Continuing claims also exceeded what the market hoped. A new lockdown in Paris and the relatively slow pace of vaccine rollouts in many parts of the world also shook markets. The downgraded demand outlook hit crude oil futures especially hard, dragging prices down nearly 8% during Thursday's trading. The selloff in crude seemed to pull all commodities lower, including cotton. U.S. Treasury yields also continue to rally, lifting the value of the U.S. dollar and putting more headwind into commodities.

EXPORT SALES

Although overshadowed by the oil-led commodity selloff, U.S. export sales were a bright spot for traders. For the week ending March 11, cotton shippers booked a surprising quantity of net new sales. Prices in the mid-80s attracted another 437,700 bales of Upland purchases for delivery in the current marketing year and another 143,300 for delivery next marketing year. Last week's big buyers were Vietnam (135,500 bales), China (92,700), Pakistan (58,500), Turkey (51,200), and Bangladesh (49,600). Sales were well distributed to a large number of destinations, and shipments of Upland and Pima totaled 362,200 bales. Total export commitments are now at 99% of the USDA's 15.5 million statistical bale target, implying the USDA will likely revise its forecast higher on the April WASDE report.

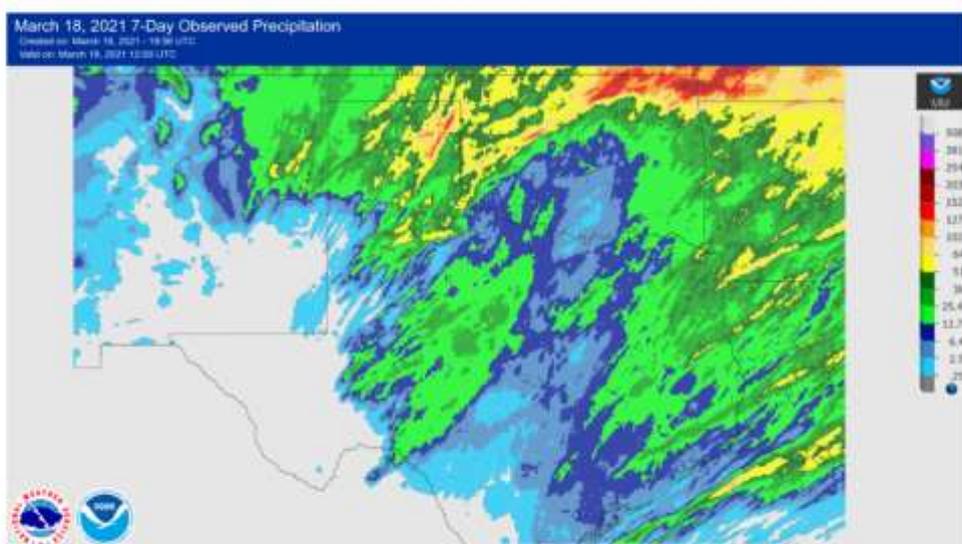
WEATHER

Rains here in West Texas made the headlines in international news outlets this week. At least some of the pressure on prices

has been speculative traders exiting longs on the expectation that recent rains have somehow reversed the outlook for the upcoming crop. While we are thankful for the rains we received, the precipitation missed most of the Southern High Plains agricultural statistical district where the drought is still at its worst. Aside from Lubbock and Crosby counties, which account for 500,000 of the 3,000,000 plus cotton acres in the district, most of the area received less than half an inch if it had any rainfall at all. Many counties in the Northern High Plains district were luckier, but much of the rain fell in areas with less cotton acreage. The story is similar in Oklahoma, where the rain stayed north of Jackson and Tillman counties, which are about a third of the cotton acreage.

Even if the whole territory had received an inch of rain, it is still too early for the rainfall to affect how well farmers are able to stand up a crop. Planting is still two months away and the outlook is still for a relatively warm and dry season. The forecast looks better for Oklahoma and Kansas, but the light precipitation in the forecast for West Texas is still not enough.

7-Day Observed Precipitation



THE WEEK AHEAD

With crude prices falling, traders will pay a little more attention to outside markets this week. U.S. Treasury rates and the value of

the U.S. Dollar are key areas of focus. Within the cotton market, Thursday's Export Sales Report is the key piece of data in the week ahead.

IN THE WEEK AHEAD:

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