



**PLAINS COTTON
COOPERATIVE ASSOCIATION**



Cotton Market Weekly

NOVEMBER 19, 2021

**GOOD ECONOMIC NEWS AND VOLATILE INTRADAY
ACTIVITY MARCH CONTRACT PERFORMS BETTER THAN
DECEMBER**

- OPEN INTEREST DOWN 16,674 CONTRACTS**
- U.S. RETAIL SALES EASILY BEAT EXPECTATIONS**
- VIETNAM, TURKEY AND CHINA AMONG WEEK'S
BIGGEST BUYERS**
- GROWERS MAKE SUBSTANTIAL HARVEST
PROGRESS**

FUTURES MARKET ACTIVITY

December options expired last Friday. The intraday activity was rather volatile as traders adjusted their positions, but the day's range was squarely within recent trading levels. Trading was significantly quieter Monday and Tuesday, and prices moved relatively little on lighter volume. Nevertheless, prices surged on Wednesday as December futures traded to within four points of their previous life-of-contract high. March futures were stronger and actually made a new life-of-contract high at 118.50 cents per pound. Unfortunately, prices pulled back on Thursday in apparent disappointment at the U.S. Export Sales report, although prices had already begun to drop before that. December futures settled at 117.59 cents, down 95 points for the week. March futures settled at 115.14, down 27. Open interest was down 16,674 contracts to 269,301, reflecting the closing of positions that had been associated with options.

Outside Markets

Economic news was rather good this week as U.S. retail sales easily beat expectations. Clothing and clothing accessory sales were up 6% from September and up nearly 23% from October of last year. While sales were not that good in every sector, investors were generally upbeat on the news and stocks were generally higher. While the S&P 500 rallied, the Dow Jones Industrial Average fell Wednesday and Thursday. Major component Walmart was down after it acknowledged that inflation is rising but pledged not to pass along prices to its customers, putting margins under pressure. Target is taking a similar stance, but given the strength of the U.S. dollar and the pace of retail sales, it seems likely that volume will make up for margin and the prospects for downstream demand for cotton remain healthy.

Export Sales

The week ending November 11 showed slightly higher export sales compared to the previous week. Shippers made net new sales of 136,700 Upland bales for the 2021/22 marketing year

and 7,200 bales for 2022/23. The biggest buyers were Vietnam (40,400), Turkey (30,800), China (13,500), and Nicaragua (13,200). There was some disappointment in the market as China's purchases have remained relatively low compared to earlier this year, but sales were still decent. Pima sales were 20,600 bales and shipments were 6,500. Upland shipments totaled 77,900 bales, which is slow for this time of year, but shipment numbers will soon increase as the harvest continues to come in.

Crop Progress and Weather

Favorable weather allowed growers to make substantial harvest progress. The week ending November 14 saw a 10-percentage point increase from the previous week, putting harvest at 65% complete and above the 5-year average (64%). The Southwest is leading the way. Texas is at 60% harvested, which is 7-percentage points above its 5-year average. Oklahoma is also at 60% harvested and 9-percentage points above its 5-year average of 51%. Weather conditions continue to look advantageous heading into next week, which should keep harvest on track.

The Week Ahead

While some traders will be waiting to see whether there are any fireworks in the December futures delivery process that begins with First Notice Day next Tuesday, the rest of the market is fairly done with transitioning their positions from December futures to March. Aside from the unscheduled announcements that may come from major markets like India or China, traders will be happy to turn focus back to daily classing reports and weekly export sales.

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