



Cotton Market Weekly

NOVEMBER 20, 2020

MARCH FUTURES SETTLE UP FOR WEEK, MORE COVID VACCINE NEWS

- More COVID-19 Vaccine Good News
- Vietnam Largest U.S. Export Buyer
- Cotton Harvest Pace Ahead of Last Year

March cotton futures rallied with the rest of the markets on Monday, but were generally calm otherwise. March's low price was printed last Friday at 70.18 cents per pound, and the week's high was Thursday morning at 72.09 cents. March futures settled at 71.67, up 105 points for the week. Daily trading volumes fell back to normal from the elevated activity of last week's index fund rolling. Open interest also fell sharply to 219,031. While a decline of 17,991 contracts is remarkable, most of the closed

positions reflect the usual offsets that follow an option expiration. December options expired Friday.

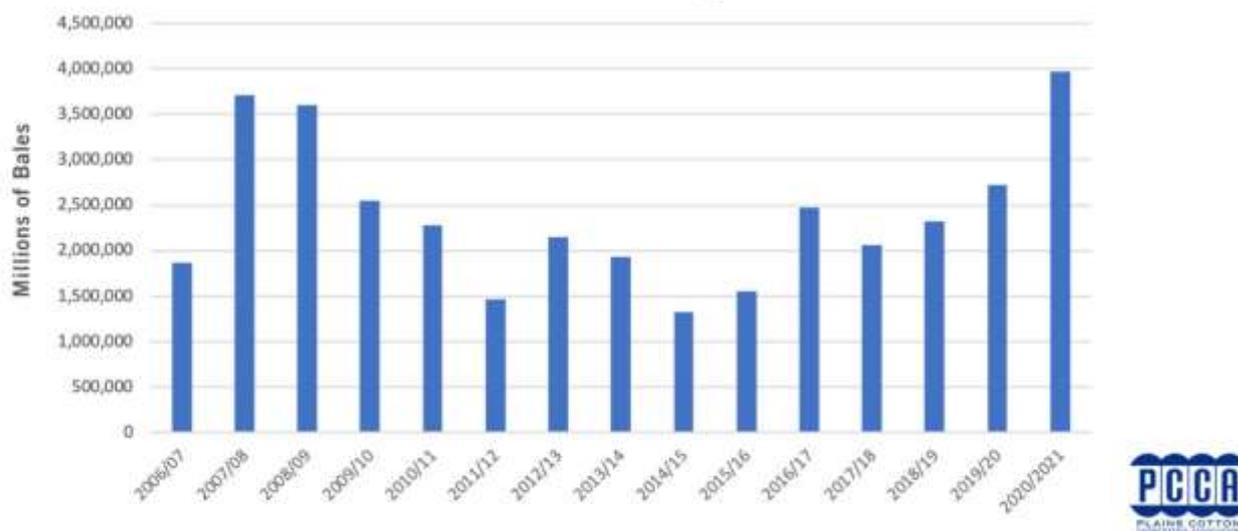
OUTSIDE MARKETS

Markets welcomed news that another vaccine has proven effective against COVID-19. Moderna announced its vaccine has proven 94.5% effective so far, paving the way for the company to request “Emergency Use Authorization” from the FDA in coming weeks. The Moderna vaccine also has some logistical advantages above the Pfizer vaccine that are expected to speed distribution. At the same time that the headlines cheered markets, the U.S. has continued to suffer from record numbers of new COVID cases and deaths across the country. Investors turned more cautious on fear that renewed efforts to slow the spread of the virus may damage economic activity. New jobless claims ticked up some this week, reflecting COVID related speed bumps in the economy, but the total number of continuing claims continued to decline.

EXPORT SALES

Cotton merchants reported few export sales this week as net new sales were just 131,400 Upland bales and 4,600 Pima. A net decrease to China pulled the total down slightly. The largest buyers were Vietnam (64,000 bales), Pakistan (33,100), and Turkey (22,500). Shipments continued at an extremely aggressive pace. Accumulated exports since the start of the marketing year have reached 3.97 million bales, which is the most ever for this week of the marketing year and 1.25 million bales ahead of last year’s pace. Export commitments look on track to meet the USDA’s 14.6 million bale forecast for the current marketing year.

Accumulated Exports 15th Week of Marketing Year



WEATHER AND HARVEST

As of last Sunday, the USDA reported that 69% of the U.S. cotton crop had been harvested versus 66 percent last year and a five-year average of 64%. The average, however, hides a major imbalance in the regional paces. While Texas is 16% ahead of its average pace (68% vs 52%), the Southeast is far behind. Georgia and North Carolina are respectively 9 and 16 points behind their usual harvest pace. Clearer weather in recent days has helped speed harvest along this week. Most of the Cotton Belt will continue to be clear for the next several days, but there are some chances of showers sweeping across Kansas and Oklahoma into the Mid-South.

THE WEEK AHEAD

The second half of November has historically been a relatively calm period in the markets. Most U.S. traders are well-distracted by Thanksgiving week, and producers are focused on the harvest, but this is 2020 and vigilance is still necessary. The usual fall reports will get their scrutiny (classing, ginning, weather, etc.) in addition to weekly export sales. This year traders will also be watching for additional lockdown measures and the possibility that the Trump administration announces new policies or sanctions going into the holidays.

IN THE WEEK AHEAD:

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