



JANUARY 22, 2021

MARKETS REACH NEW HIGHS THIS WEEK

- March Futures Gain 142 Points for Week
- Stocks End Week With New Record Highs
- Analysts Cut Planted Acreage Forecasts for Next Year
- Demand for U.S. Cotton Remains Strong

Futures trading was shortened by Monday's federal holiday, but that did not stop the market from reaching new highs. March futures traded a low of 80.60 cents per pound last Friday and touched that low again on Wednesday, but rallied straight up from there. March futures rallied to a high of 83.06 cents by Thursday morning and settled at 82.57 to gain 142 points for the week. Daily average trading volumes continued at last week's strong pace, and open interest added another 3,002 contracts to

finish the week at 249,672, which is the highest level since last February.

OUTSIDE MARKETS

Financial markets had sold off slightly ahead of the inauguration as some investors were fearful that more violence could erupt on Inauguration Day, but the market rallied as ceremonies proceeded uninterrupted. Stocks ended the week with new record highs as markets anticipate quick passage of large additional stimulus measures since the Democratic party is now in control of the legislature and presidency. Fears of higher taxes and greater regulation have been put on hold. The U.S. Dollar Index came back under pressure as well since the Federal Reserve is likely to support the large additional stimulus spending by continuing its accommodative money supply far into the future.

CROP PROSPECTS AND WEATHER

With grain prices sky high and many growers in the Southeast discouraged by back-to-back poor crops, many traders and analysts have begun to cut back their forecasts of cotton planted acreage for next year. Of course, harvested acres are what really counts, and it is possible that we could see a larger crop on fewer planted acres given this year's abandonment. But to see abandonment shrink, we'll need to see precipitation start to break up the Southwest drought. There is plenty of rain in the next week's forecast stretching from South Texas through the Mid-South, but it is uncertain how much if any will fall here in West Texas. Unfortunately, the recent dry pattern is expected to persist for the next several weeks.

EXPORT SALES

Despite higher prices, demand for U.S. cotton has remained exceptionally strong. For the week ending January 14, U.S. exporters were able to arrange net new sales of 292,400 bales of Upland cotton and 23,800 bales of Pima despite net

cancellations of 22,300 bales to China. Shipments also continued at record-setting pace. Accumulated exports for the marketing year have reached 6.48 million running bales, which is once again the highest level ever recorded for the 24th week of the marketing year. U.S. export commitments remain far ahead of the usual pace expected to meet the USDA's current export forecast.

THE WEEK AHEAD

With the vast majority of the crop harvested and classed, demand is taking a more exclusive position in traders' attention. Crop competition for next year's acreage will be monitored in the background, but weekly Export Sales Reports will be key focal points until the early production estimates for the 2021/2022 season start to flow.

IN THE WEEK AHEAD:

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