



OCTOBER 22, 2021

PRICES MADE LARGE MOVES THIS WEEK

- **Excellent Week for Equities Markets**
- **Export Sales Report Picks Up**
- **Cotton Harvest Still Lags**
- **Traders Examine Daily Classing Reports and Cash Market Offers**

Although prices made large moves every day of the past week, December futures trading was relatively constrained to the range from Tuesday's low at 105.25 cents per pound to Thursday's high at 111.35 cents. In fact, four of the last five sessions have had a daily range (the distance from highest price traded to lowest price traded) greater than 425 points. Volatility is obviously at extremes. After closing at its third highest level ever

on Wednesday, the December futures contract fell back to the lower end of the range on Thursday to settle at 106.14, down 96 points for the week. Daily trading volumes moderated from the past two weeks' extremes, and open interest gained 660 contracts to finish the week at 285,228.

Outside Markets

It was an excellent week for the equities markets which continued to ride a rally that was sparked by stronger than expected earnings report and retail sales paired with lower-than-expected jobless claims. Commodities markets were mixed throughout the week, but ended with a broad decline that was led by crude. Grain markets trended higher until the sector-wide selloff Thursday. Despite rallying yields on U.S. treasuries, the USD Index spent most of the week declining versus major trading partners, which was a tailwind for agricultural markets until a change of direction at the end of the week.

Export Sales

The Export Sales Report for the week ending October 14 picked up compared to the previous week. New net sales for the 2021/2022 crop year were reported for 391,800 Upland bales and 23,900 Pima bales. 63,900 bales were sold for the 2022/2023 marketing year, primarily to China. China led as the biggest buyer with new purchases of 272,800 bales. Turkey (76,900), Vietnam (15,800), Mexico (6,200), and Bangladesh (5,000) were also major purchasers. Combined Upland and Pima shipments totaled 122,800 bales, which is right around average for this time of the year. Continuing strong sales despite recent high prices are a signal that demand is still healthy.

Crop Progress and Weather

Cotton harvest is still lagging compared to previous years, with this week's Crop Progress and Condition Report showing only 28% harvested by October 17, which is six percentage points

behind the average pace of 34%. Texas was ahead of pace compared to average, having had more favorable harvest weather in recent weeks. Unfortunately, forecasts are calling for more precipitation in the Mid-South over the next week, which will cause some additional delays. Good harvest weather should continue with warmer, drier weather for the Southwest and Southeast, and harvest is expected to make a healthy advance. The slowness of this year's harvest has certainly contributed to this year's high prices, as traders have faced fierce competition to cover strong demand for immediately shippable cotton.

The Week Ahead

Weather is still a concern as the last of the crop comes in, but traders are spending more and more time looking at daily classing reports and the offers in the cash market. Next week's Export Sales Report will be a key watchpoint as well. Lastly, the time for Index funds to start rolling their passive long positions forward is quickly approaching, and traders will be carefully attending to both fixations of open On-Call contracts and to the rolling forward of their hedge position.

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