



AUGUST 23, 2019

## **MARKET PAUSES, FUTURES PRICES FALL**

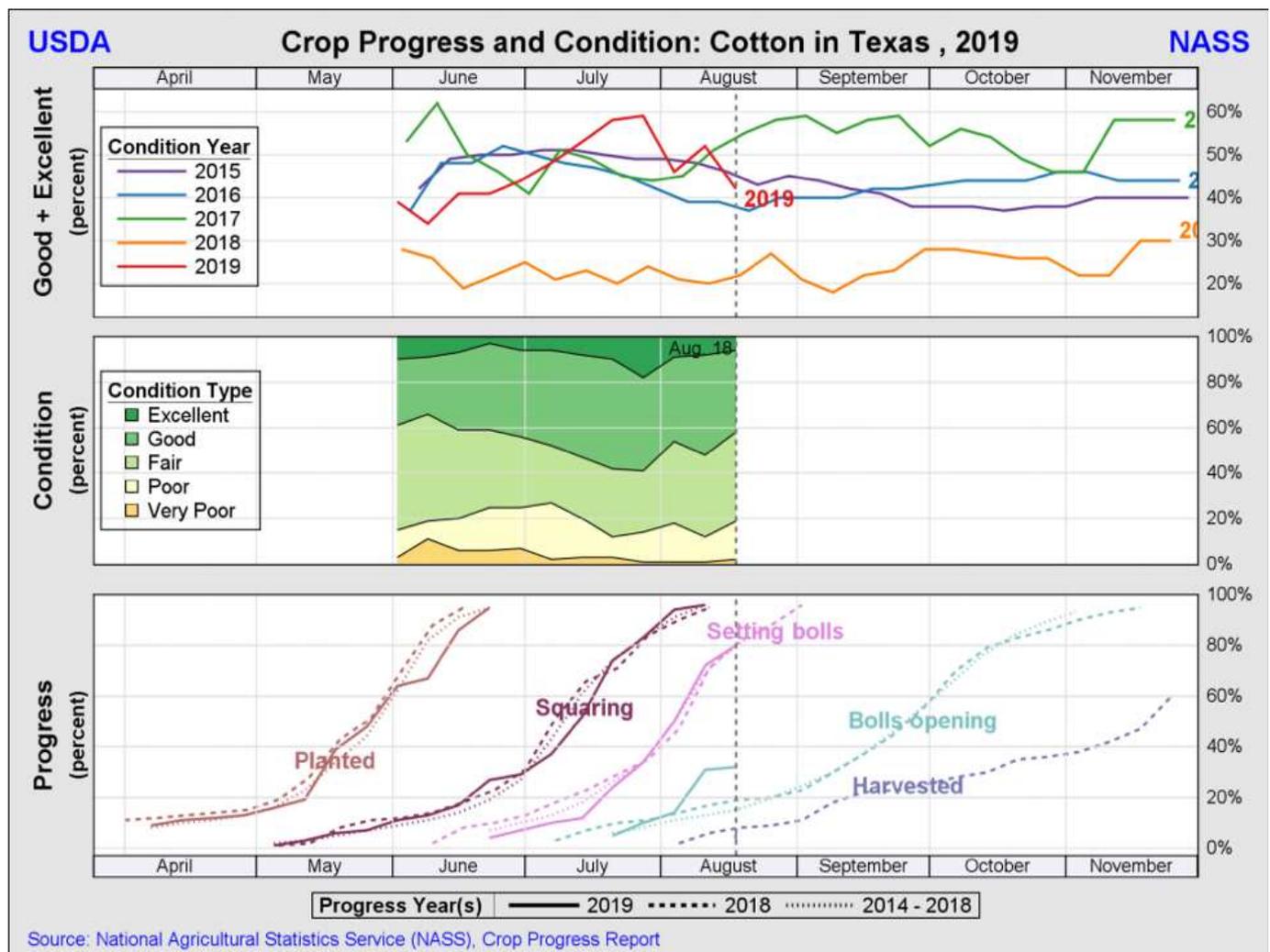
- Crop Conditions Worsen
- Trade War Intensifies
- Export Sales Weaker

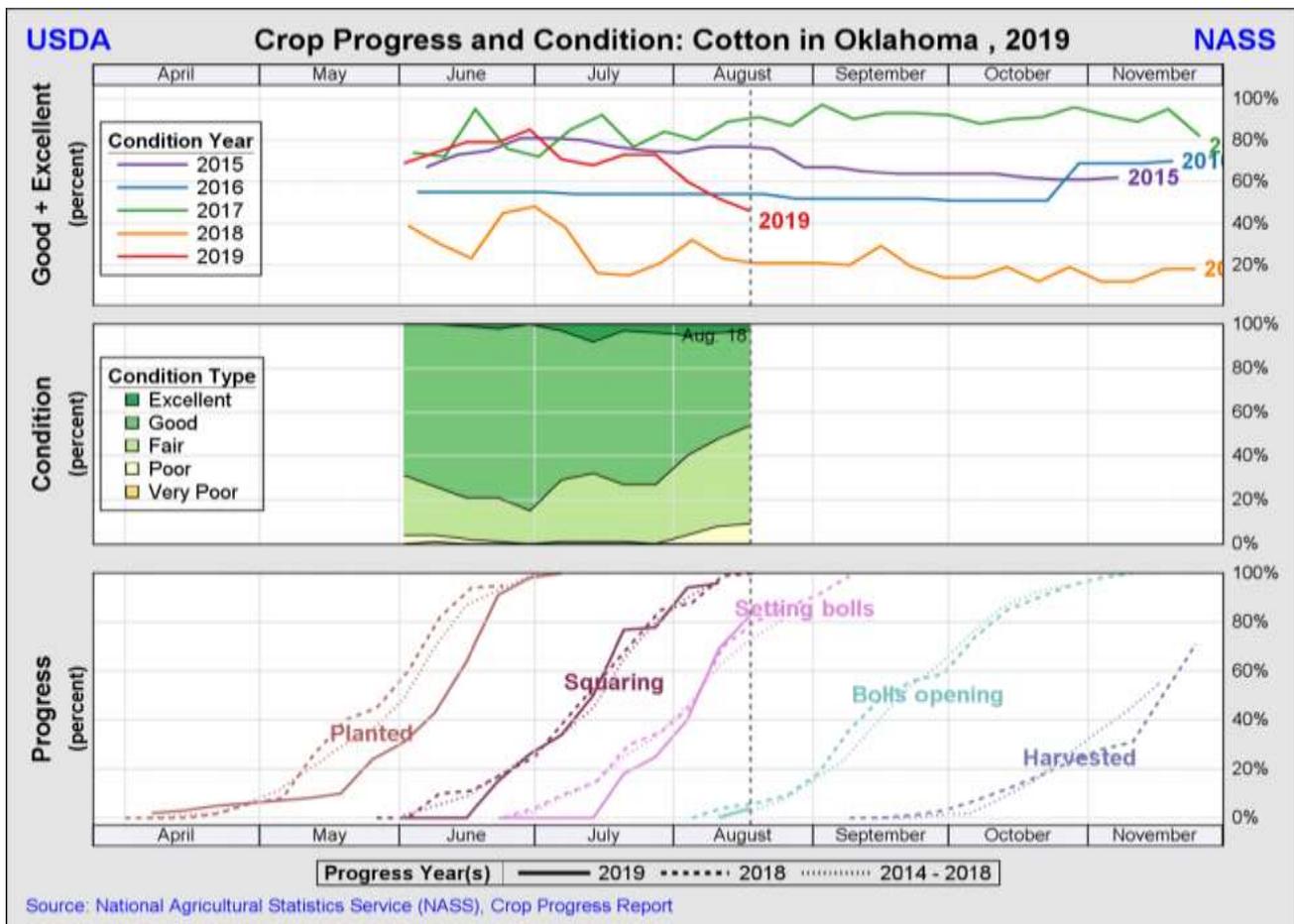
Futures trading was very slow this week. Prices fell from Monday's high at 60.25 cents per pound to a low of 58.06 on Friday. Open interest increased 1,215 contracts to 216,481 during the week, which is the highest level since May.

## **HOT, DRY WEATHER PERSISTS**

Crop conditions deteriorated this week as weather has been mostly hot and dry throughout much of the Southwest. Not much meaningful rainfall has fallen in the Lubbock area since the first week of July, and drought has developed across much

of the West Texas and Oklahoma cotton territory. Thus, soil moisture availability is minimal. Patches of the Southwest have had scattered showers and others will receive some relief in the next week, but the forecast is still relatively hot and dry. By comparison, the Mid-South and Southeast are expecting good precipitation in the week ahead, and production prospects in the Southeast are very good.





## ON THE TRADE FRONT

On Thursday night, China announced it would impose retaliatory tariffs on \$75 billion of imports from the U.S., with lists to be imposed on September 1 and December 15 in line with when new U.S. tariffs on Chinese goods will begin. A resumption of the 25 percent tariff on U.S. automobiles was part of the announcement. Stocks and commodities fell when the news broke, as the outlook for a trade deal went from bad to worse in traders' estimation.

Unfortunately, the worst was yet to come. After expressing his disappointment at Federal Reserve Chair Jerome Powell, President Trump announced his loss of patience with China via Twitter mid-morning. His tweets seemed to end any chances that a trade deal could come any time soon, and the President went so far as to "order" U.S. companies to leave behind their manufacturing bases in China.

## **EXPORT SALES DISAPPOINT**

Next Monday's Crop Progress and Condition report and Thursday's Export Sales report are likely to figure centrally in next week's analysis. Traders will be watching to see any further deterioration in the Texas and Oklahoma crops. This week's Export Sales report showed only 164,000 bales of new sales, which was rather weak, so traders will be hoping for improvement next week. Outside those focal points, daily classing reports and weather will figure centrally.

### **IN THE WEEK AHEAD:**

- Monday at 3:00 p.m. Central – Crop Progress and Conditions
- 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