



PLAINS COTTON
COOPERATIVE ASSOCIATION

A photograph of a cotton field with green leaves and a dirt path. The text 'Cotton Market Weekly' is overlaid in white.

Cotton Market Weekly

DECEMBER 23, 2022

MARCH FUTURES RALLIED MOST OF THE WEEK

- **OUTSIDE MARKETS HAD ANOTHER WEEK OF LOSSES**
- **EXPORT SALES REPORT SHOWED NET REDUCTIONS**

March futures rallied after struggling to find direction the past month, closing with gains four out of the five trading sessions this week. Cotton went into the weekend up slightly before rallying on Monday. The upward action on Monday had traders scratching their heads because of the bearish macroeconomic news we have been hearing recently. The sharp rise continued into Tuesday, with main influences coming from a weak U.S. dollar and technical buying taking place. Wednesday held a triple-digit trading range but ended up settling relatively

unchanged. The market reversed course and headed downward after the release of a shockingly weak Export Sales Report. March futures settled limit down at 84.30 cents per pound on Thursday, December 22. Although Thursday finished off the highs of the week, March futures still finished the week with overall gains of 327 points. Total open interest decreased 4,586 contracts to hit 194,328.

Outside Markets

After last week's economic news that dampened markets, the beginning of this week looked promising for stocks. Outside markets were moving upwards until stronger than expected economic data was released and stocks ended up having another week of losses. Early in the week, the Bank of Japan took on a more hawkish stance and it looked like consumer confidence was rebounding by hitting an 8-month high, with the index increasing to 108.3 this month, both helping boost markets. By Thursday, however, the U.S. GDP came in at 3.2% and personal consumption was measured at 2.3%, both higher than what was expected. Initial Jobless Claims were also lower than forecasted, with 216,000 claims having been reported. These numbers show an economy that continues to grow, which means the Fed can keep on the hawkish path. The various economic news also meant the U.S. Dollar Index was mixed this week but ended on a bullish note.

Export Sales

The U.S. Export Sales Report for the week ending December 15 came as a bearish surprise to many traders. After weeks of dismal sales that would keep the market relatively unchanged, Thursday's disappointing report immediately sent prices down when net sales reductions of 87,800 Upland bales were reported

for the 2022/23 crop year and a dismal 1,000 bales for the 2023/24 crop year. Sales were made to Vietnam for 37,200 Upland bales, India for 9,000 bales, and Pakistan for 6,800 bales, but all were more than offset by cancellations. China was the primary culprit of the cancellations with a net total of 144,400 bales cancelled. This is the largest number of purchases that China has cancelled in years. Pima sales of 1,500 bales were made and 8,100 bales were exported.

The Week Ahead

Outside markets will continue to be a key point for traders until activity picks back up in the cotton market after the holidays. As usual, traders will keep their eyes on ginning data, classing reports and the Export Sales Report for cotton specific news.

We hope our readers have a warm and joyful holiday spent with family and friends. Merry Christmas!

- Friday (December 23) at 2:30 p.m. Central – Commitments of Traders
- Friday (December 30) at 7:30 a.m. Central – Export Sales Report
- Friday (December 30) at 2:30 p.m. Central – Cotton On-Call