



OCTOBER 23, 2020

DECEMBER FUTURES RALLY, WEATHER REMAINS A CENTRAL CONCERN

- December Futures Extend Previous Week's Winning Streak
- Stimulus Talks Rattle Investors
- U.S. Export Sales and Shipments on Target to Hit USDA 2020/21 Forecast
- Cotton Belt Harvest Behind Average Five-Year Pace

December futures continued to rally this week, extending last week's winning streak. Prices seemed set to decline Tuesday, falling back as much as 86 points from Monday's new high settlement. Despite faltering, prices were able to recoup most of the losses but not all. Tuesday's minor setback ended a seven-day streak of gains. Prices rallied to set the week's high at 72.13 cents per pound on Wednesday, but fell back to unchanged by

the close. December futures resumed their rally on Thursday, settling at 71.94 cents, which is up 272 points for the week and the contract's highest settlement price since January. Daily trading volumes surged as the market moved higher and buyers aggressively set new positions. Open interest added 8,717 contracts to finish the week at 242,789.

OUTSIDE MARKETS

On-again, off-again stimulus talks between Secretary Mnuchin and Speaker Pelosi have rattled investors, and stocks trended lower this week. COVID-19 also continues to spread rapidly across the globe, and fears about partial lockdowns and continued slow growth continue to trouble the global outlook. Add to that a fair share of election anxiety, and you can see why the mood is sullen. On the other hand, there are bright spots out there. For instance, weekly jobless claims fell to their lowest level since the lockdowns began in March. Continuing claims also dropped over one million to 8.37 million (not seasonally adjusted), which is their lowest level since March as well. Single family home construction also surged to its highest level since 2007, providing a bright spot for the overall economy.

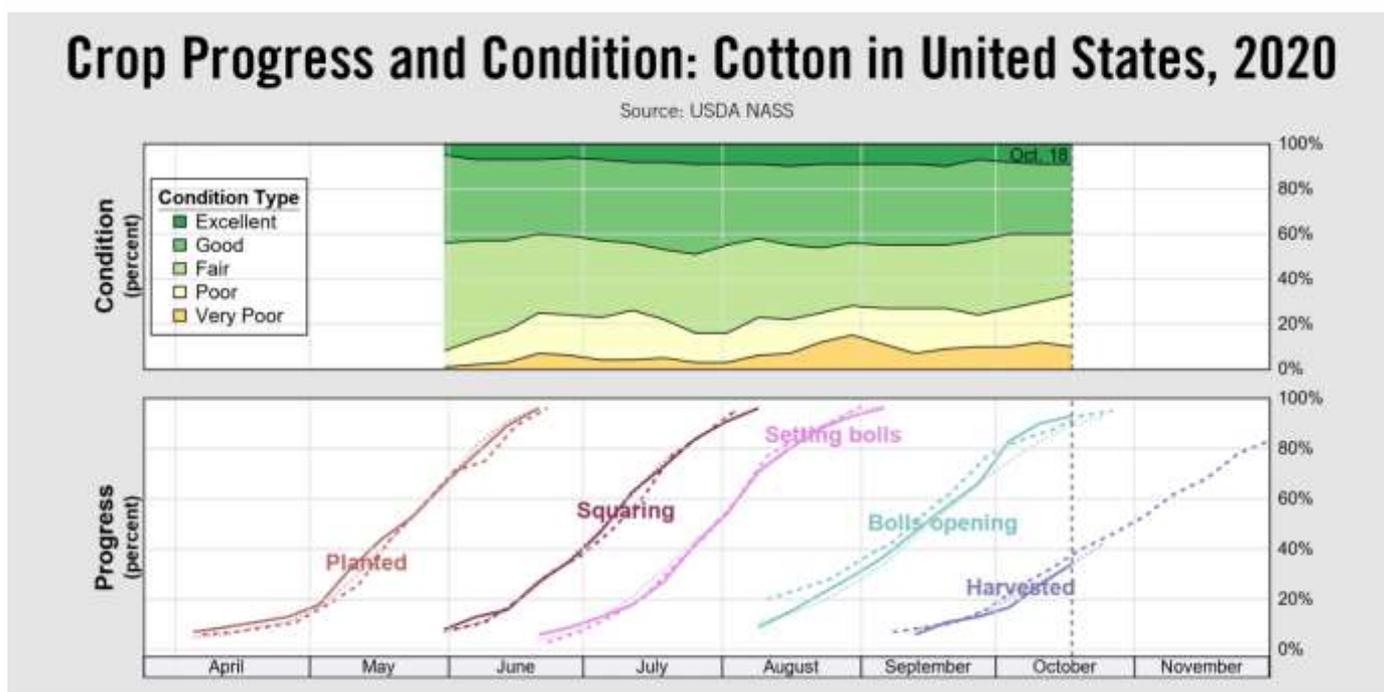
EXPORT SALES

U.S. shippers were able to book another 227,800 bales of Upland net new sales and 29,600 bales of Pima. This week's largest buyers were Pakistan (93,300 bales), China (47,500), Mexico (33,800), and Vietnam (30,100). Sales are still more concentrated in a handful of markets than most merchants would like to see, but more markets are gradually coming back to the U.S. for cotton. Shipments against sales are still strong, with 194,100 bales of Upland and 7,400 bales of Pima. Although outstanding sales are still 1.3 million behind last year, accumulated exports of Upland cotton have reached 2.7 million bales vs 2.2 million at this time last year. Total Pima commitments (open sales plus what has already shipped) are at 377,800 bales versus just 209,500 a year earlier. Overall, U.S.

export sales and shipments are on target to hit the USDA's 14.6 million bale forecast for the 2020/21 marketing year.

CROP CONDITIONS AND WEATHER

While crop conditions slid in Oklahoma and Texas on this week's Crop Condition and Progress Report, there were only minor changes in most other states. Virginia's crop turned down and so did New Mexico, but a handful of states also showed minor improvement. As of last Sunday, 34% of the U.S. Cotton Belt had been harvested. The five-year average is 40%, so we are clearly behind pace. The delay is even more evident when one considers that Texas is pulling up the average with 42% harvested vs an average of 29% at this date. With cold temperatures and moisture coming to the Southwest next week, producers have likely continued to push harvest forward as quickly as possible.



THE WEEK AHEAD

Weather continues to be a central concern as the U.S. crop has suffered a lot of quality damaging events over the last several weeks. Beyond the crop, traders continue to watch export sales. Of course, outside markets continue to take a large share of trader attention. Polls, stimulus negotiations, and stock market

action will likely take their toll on traders' psychology in the weeks ahead.

IN THE WEEK AHEAD:

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