



FEBRUARY 26, 2021

STOCK MARKETS MIXED THIS WEEK

- May Futures Set New Life-of-Contract Highs Every Day This Week
- China Largest Purchaser of U.S. Upland Cotton
- Good Economic News and Lower Bond Prices
- Merchants Watching Futures Market for Directional Cues

May '21 futures climbed steadily this week from last Friday's 89.57 cents per pound low, setting new life-of-contract highs every day. Thursday followed the script in early trading marking the 95.60 cent high before losing positive momentum, and falling 591 points to lock limit down on the day. May futures settled at 89.69, down 61 points for the week. Total open interest is up 2,736 contracts from last Thursday to 249,794.

OUTSIDE MARKETS

Stock markets were mixed this week. Good economic news and lower bond prices led to traders re-evaluating stock valuations. Unemployment claims dropping to 730,000 last week were taken as a hopeful sign that the job market could be stabilizing; although, winter storms disruptive effect on filings may have contributed to the drop. Demand for durable goods climbed 3.4% in January, and in testimony to the Senate Banking Committee Federal Reserve Chairman Powell re-affirmed the Federal Reserve's intent to continue supporting the economy with near-zero interest rates and large-scale asset purchases until the economy has recovered further.

Inflationary expectations fueled by good economic data in combination with cheap money has some traders re-evaluating the mix of stocks and bonds held in their portfolio, resulting in technology stock valuations declining and increasing bond yields. Since last Thursday the NASDAQ declined over 5%, the S&P 500 declined more than 2%, and the Dow Jones Industrials after setting a new all-time high at 32,009, on Wednesday fell back on Thursday to end the week only down about 0.3%. The benchmark 10-year Treasury note finished Thursday's session at 1.513%, its highest level in a year and up from 1.286% at last Thursday's close.

EXPORT SALES

The Export Sales Report for the week ending February 18 showed net sales of 247,800 bales of Upland cotton for 2020/2021, 40,700 bales for 2021/2022, and 11,900 bales of Pima. Sales of 2020/21 Upland cotton included many markets with China (59,500 bales), Turkey (45,000 bales), and Vietnam (44,900 bales) leading in volume. Sales for the 2021/2022 season were dominated by Mexico, where mills purchased 61,000 bales, but were offset by reductions for China (20,200 bales). Shipments for the week were down 6% from the previous

week at 292,400 for Upland cotton. Pima cotton exports were 12,200 bales for the week up 3% from the previous week.

IN THE WEEK AHEAD

This week merchants will be watching the futures markets for directional clues. Will export demand increase after Thursday's sell-off, thus providing support to the market at current levels? Or, will export customers sit on their hands hoping for a deeper pullback?

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