



**MARCH 26, 2021**

## **COTTON FUTURES FALL APART**

- Prices Fell All Five Sessions Since Last Thursday
- Chinese Stocks Suffer from Increased Tensions with U.S.
- Strong Export Sales and Shipments This Week
- Prospective Plantings Report Next Week

Cotton futures fell apart this week. Prices fell all five sessions since last Thursday, ending with a large, limit-down day (i.e., all the way to the downside daily price limit). The high for the week was last Friday's high at 85.78 cents per pound, and the low was 78.44 cents. 78.44 also happens to be where May futures settled on Thursday, down 701 points for the week. Daily trading volume was quiet to start the week, but surged as prices traded to 10-week lows.

## **OUTSIDE MARKETS**

For most of the week, outside markets were a drag on cotton. Stocks drifted lower until late Thursday, and the interest rates on U.S. Treasuries softened. Continued weakness in crude oil markets hurt commodities markets further, as did increased headwind from a stronger U.S. dollar. When the U.S. dollar is more expensive versus major trading partners the price competitiveness of U.S. exports, including agricultural exports, declines. Cotton was further harmed by negative headlines about Chinese social media attacking retailers who have publicly chosen to exclude Xinjiang cotton from their sourcing. Chinese stocks have suffered in recent weeks because of increasing tensions with the U.S. Unfortunately, cotton was one of the markets to be more strongly impacted by the negative sentiment.

## **EXPORT SALES**

For the week ending March 18, U.S. merchants made net new sales of 271,200 bales of Upland cotton for delivery before the end of the marketing year on July 31 and another 69,400 bales for delivery next marketing year. Reported export shipments were 313,500 bales, which is slightly lower than in recent weeks but still leaves accumulated exports for this season at a record pace. Commitments to the export market are now above the USDA's target of 15.5 million statistical bales (i.e., converted to 480-pound bales). Continued strong sales and shipments make it likely that the USDA will have to revise the U.S. export estimate upward in next month's WASDE report.

## **WEATHER**

Rain visited much of the Southwest and Mid-South this week, but the Southern High Plains was largely left out again. The city of Lubbock was fortunate to receive some much-needed moisture; however, most of the district's 3,000,000 plus acres went without additional moisture. Although the rain was no help to that area, there is increasing hopefulness among some that

the moisture that has returned to the general region could signal a break in the reigning drought pattern. There are some small chances of rain in the week ahead, particularly for South Texas and the Mid-South. Rain in Southeast cotton areas is a little less likely, but there is still some in the forecast.

## **THE WEEK AHEAD**

Next week's big report will be the Prospective Plantings, which the USDA will release at 11 a.m. Central Time on March 31. The report will update analysts' crop expectations for next season, but the recent decline in cotton prices, especially its relative steepness versus grains, has many traders questioning how accurate the figures will be. The Export Sales Report is the only other key report for cotton next week, but traders are sure to be keeping an eye on outside markets and any news in U.S.-China relations.

With crude prices falling, traders will pay a little more attention to outside markets this week. U.S. Treasury rates and the value of the U.S. dollar are key areas of focus. Within the cotton market, Thursday's Export Sales Report is the key piece of data in the week ahead.

## **IN THE WEEK AHEAD:**

- Friday at 2:30 p.m. Central – Commitments of Traders
- Wednesday at 11:00 a.m. Central – Prospective Plantings
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call