



JANUARY 27, 2023

MARCH FUTURES BENEFIT FROM INCREASED DEMAND

- . OUTSIDE MARKETS FINISH THE WEEK STRONG**
- . EXPORT SALES REPORT SHOWED RECOVERING SALES**

March futures traded sideways for the week after rallying from last week's increased Export Sales Report. The rally was also helped with China coming back to the market. The rest of the trading week was fairly unchanged due to the Lunar New Year holiday in Southeast Asia and lack of fundamental drivers able to take hold. After a positive Export Sales Report on Thursday, March futures rose to 88.88, the highest level seen in over a month before reversing to finish in the upper end of the trading range that has been present this week. For the week ending

January 26, March futures finished at 87.50 cents per pound, up 411 points for the week. Open interest continued its rise and increased 7,014 contracts to a total of 209,373.

Outside Markets

Outside markets started off mixed with the anticipated release of the fourth quarter GDP reading on Thursday and quarterly corporate earnings being reported throughout the week. The U.S. GDP showed resilience in the economy and rose at an annual rate of 2.9% the previous quarter, slowing compared to the 3.2% recorded in the month before, but still slightly above what was expected. This higher than expected number can be due to the influence of increased government spending, consumer spending, and private investments. The positive readings were beneficial for equities, with outside markets finishing strong to end the week. A robust labor market has also helped keep economic growth healthy, with this week's Initial Jobless Claims coming in at 186,000 claims, the lowest reading in nine months. The U.S. Dollar recovered marginally from the unexpectedly good economic news but is still trying to recover compared to other currencies and gains being pared from the rise in equities. The Federal Open Market Committee meets again next week, and the recent data releases give hope that the Fed will moderate interest rate increases.

Export Sales

After months of disappointing reports, it has been a relief that export sales have increased noticeably in the past two weeks. For the week ending January 26, net sales of 213,700 Upland bales were reported for the 2022/23 year and 6,100 bales for the 2023/24 marketing year. The increases came from China, who booked 59,200 bales, Turkey with 55,200 bales, Vietnam with

42,400 bales, and Pakistan with 22,000 bales. The sales are spread throughout many countries, showing a good range and a hopeful recovery in demand. Shipments of 175,800 bales were reported for the week, which is below the pace needed to reach the USDA estimate of 12 million bales. Pima sales were also up for the week with 5,400 bales getting booked for the current crop year and 2,100 bales getting shipped for the week.

The Week Ahead

Along with outside markets, the weekly Export Sales Report and Commitment of Traders data will continue to be focal points for traders. Although drought is still not out of the question, the snow received across many parts of the Cotton Belt will help relieve near-term drought conditions and should benefit the soil moisture level.

- 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