



APRIL 28, 2023

JULY FUTURES WERE PRESSURED EARLY ON BUT RECOVERED LOSSES TO FINISH THE WEEK

- Outside Markets Had Rough Start but Posted Gains to Close Out the Week
- U.S. Export Sales Reported Surprising Increase for the Week Ending April 20
- Spotty Precipitation Received in West Texas, Oklahoma, and Kansas

Focus has officially shifted to the July contract, which continued to trade in the lower end of the long-term range. July futures were pressured early on and experienced another selloff before recovering losses to finish the week. A combination of macroeconomic news and chances of rain in West Texas sent

prices down sharply, where they reached the lowest close since March 24. A strong Export Sales Report and macro tailwinds pushed July prices back above 80 cents. For the week ending April 27, July futures settled at 80.40 cents per pound, posting a moderate 31-point gain. Total open interest remains low, but traders added a total of 6,191 contracts to finish at 171,425.

Outside Markets

Stocks had a rough start to the week with worries in the banking sector and recession woes weighing on markets. Recent data has shown that the economy seems to be slowing and the U.S. Gross Domestic Product (GDP) reported this week seemed to agree. U.S. GDP rose 1.1% since the previous quarter, which was weaker than the 1.9% that was expected and 2.6% reported in the previous quarter. Another sign of easing inflation came when U.S. pending home sales decreased an unexpected 5.2% in March, posting the biggest decline seen in 6 months. U.S. initial unemployment claims, which has been a key driver in Fed decisions recently, decreased to 230,000, showing a stronger than expected labor market. Additionally, strong corporate earnings helped rally stocks to finish the week. The Dollar was mixed throughout the week and posted moderate gains despite the rally in the stock market. Cotton has been heavily correlated with crude this year, which also had an up and down week. Like cotton, crude posted small gains to finish the week, in spite of other commodities finishing in the red. The Federal Open Market Committee (FOMC) meets next week on May 2 and 3, and after the macroeconomic news from the past few weeks, expectations of a 25-basis-point increase were all but solidified.

Export Sales

The U.S. Export Sales Report showed a surprising increase in demand for U.S. cotton for the week ending April 20. Net sales of 194,400 Upland bales were reported for the 2022/23 crop year and 19,100 bales were sold for the 2023/24 marketing year. The biggest buyer for the week was Turkey, with 63,300 bales purchased, followed by China with 45,200 bales, Vietnam with 35,500 bales, Taiwan with 18,400 bales, and Pakistan with 11,800 bales. It should be noted that 61,000 of the current marketing year sales and exports on this report were reported late. The amount of cotton exported this week was one of the higher amounts shipped for the marketing year. A total of 398,400 bales were shipped for the week, which is far above the average needed to reach the USDA export estimate of 12.2 million bales. Pima had another solid week of sales and shipments. A net total of 16,700 Pima bales were sold and a marketing year high of 20,600 bales were shipped.

Weather and Crop Progress

Scattered rain and severe storms were recorded over parts of West Texas, Oklahoma, and Kansas over this past week. Although the rain was welcomed, much more will be needed as planting decisions are being made. Another cold front is moving in, which will bring along winds and colder than average temperatures. Scattered storms are once again predicted, which will likely bring spotty precipitation throughout the region. The long-term outlook, however, has not changed much. Above average temperatures and below average rainfall are expected in the months to come. South Texas has received adequate moisture throughout the week, with sunny, warm temperatures expected to come. The warm weather and recent moisture will help crop development. This week's Crop Progress report showed that planting is on schedule in Texas, with 18% of the

expected acreage now planted, which is right in line with the five-year average of 16%.

The Week Ahead

From a cotton standpoint, there are no major reports coming out next week. Instead, the FOMC meeting on May 2 and 3 will capture traders' attention. With weather becoming more important, daily forecasts and the Crop Progress report will be looked at more readily. Following this week's strong export sales, the Export Sales Report will be monitored to see if demand for U.S. cotton can hold steady.

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