



**AUGUST 28, 2020**

## **FUTURES RALLIED TO FRESH SIX-MONTH HIGH THIS WEEK**

- Continuing Jobless Claims Fell About 300,000 to 14.5 Million
- Texas and Oklahoma Crop Conditions Slipped Sharply This Week
- Assessing Damage from Hurricane Laura

Futures rallied to a fresh six-month high this week. Last Friday's trading range was one of the smallest ranges in several weeks, but Monday made up for it. December futures surged as the market grappled with the possibility of two hurricanes in the Gulf of Mexico at the same time. Prices touched 66.45 cents per

pound Tuesday, the highest price since February 26, before moderating back to 64.75 cents Thursday. December finished the week at 65.37 cents, up 85 points for the week. Trading volumes were heavy early in the week, but returned to the recent slow pace by Wednesday. Open interest surged higher with the price, adding 10,327 contracts to hit 203,881. The number of open contracts has now returned to levels not seen since March.

## **OUTSIDE MARKETS**

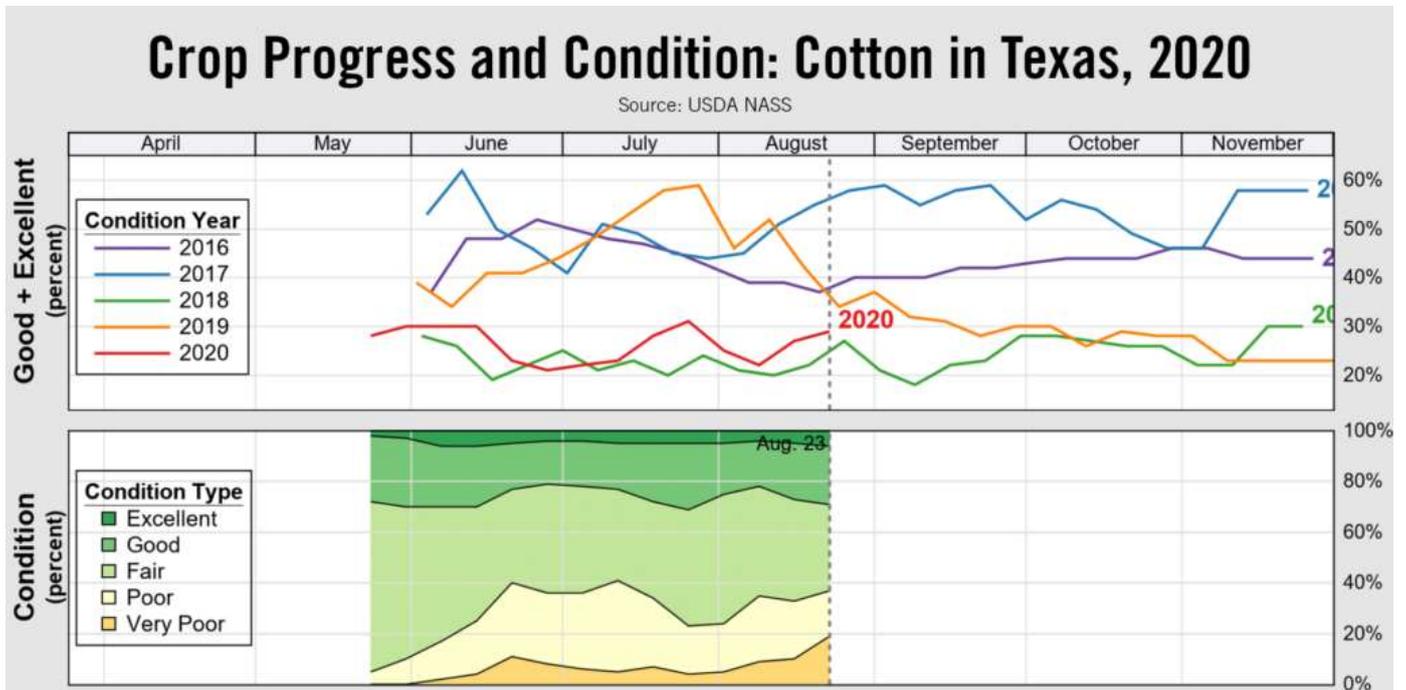
Stocks made new highs again this week for no apparent reason other than habit. New treatments and downward trending new cases for Covid-19 in the U.S. may have helped markets, although there is a lot of caution as we wait to see the lagged effect of school re-openings. Employment data was also marginal this week. Just over one million people filed new jobless claims, but the total number of continuing claims fell about 300,000 to 14.5 million. While many people are still losing jobs, slightly more are finding work. The value of the USD also continues to shift as the market digests new signals from the Federal Reserve. In a speech Thursday morning, Chairman Jerome Powell outlined new goals that effectively changed how aggressively the Federal Reserve would respond to inflation expectations. To paraphrase, don't expect the higher interest rates until employment is back to its maximum and inflation is averaging above 2%.

## **EXPORT SALES**

On the surface, this week's Export Sales Report was "middle-of-the-road". Net new sales were 156,600 bales of Upland cotton and 12,600 bales of Pima. Shipments were respectable at 287,700 combined. Vietnam was the largest buyer with 75,600 bales, followed by China (46,800), Turkey (11,200), and Pakistan (7,000). The oddity this week was that gross sales to China were 224,500 bales, but there were also cancellations of 177,700 bales. In any case, the market is unlikely to notice or care as long as the net figure is positive.

# CROP CONDITIONS AND WEATHER

Texas and Oklahoma crop conditions slipped sharply this week, as most of us who endured the heat would have expected. Still, deteriorating conditions were only a tragic sideshow to the main event, which turned out to be Hurricane Laura. With the potential to flood the Mid-South or strip open cotton in the Upper Coastal Bend, the storm was a significant worry. Laura seems to have threaded the eye of the needle (as far as cotton is concerned), taking the least destructive of possible paths that it could have in the north west area of the gulf. It is strange to even be concerned about such things when life and property are being devastated, but traders will be closely following whether there was any crop damage.



## THE WEEK AHEAD

Having so narrowly dodged losses, traders have renewed vigilance for hurricane activity in the gulf. There are two more systems in the Atlantic that could become major storms as of this writing. Aside from tropical weather, traders will also be keeping an eye on the weekly Export Sales Report for any pickup in activity and the weekly Crop Progress and Conditions Report for any hints about U.S. production.

## **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