



PLAINS COTTON
COOPERATIVE ASSOCIATION

A photograph of a cotton field with green leaves and a dirt path. The text 'Cotton Market Weekly' is overlaid in white.

Cotton Market Weekly

JANUARY 28, 2022

**PRICES LOOKED RESILIENT IN FACE OF OUTSIDE
MARKET TURMOIL EXPORTABLE GOODS COMPETITIVELY
PRICED**

- STOCK MARKETS PRODUCED MINOR PANIC EARLY IN
WEEK**
- VIETNAM, INDIA AND CHINA BIG BUYERS FOR
2022/2023 MARKETING YEAR**
- WEST TEXAS, KANSAS, SOUTHWEST OK STILL DRY
AFTER SNOW**

March futures were fairly two-sided this week, dipping as low as 119.20 cents per pound on Monday, but rallying back to a high of 122.69 cents on Wednesday. Prices finished the week on a

weaker note, but actually looked rather resilient in the face of turmoil from outside markets. March futures settled at 121.63 Thursday, down 124 points for the week. Trading volumes were still healthy. The price dip appears to have attracted new buyers as open interest recouped losses from last Friday's selloff and even managed to gain 3,620 contracts week-over-week to hit 253,790.

Outside Markets

Financial markets delivered a great deal of whiplash to traders and investors this week. Rather than calm before the storm of the Federal Open Market Committee announcement on Wednesday, stock markets produced a minor panic early in the week. Monday's trading produced the lowest S&P 500 price since June, the lowest NASDAQ since May, and the lowest Dow Jones Industrial Average since April. Shockingly, the losses were all reversed into gains by the end of the day, and seemed likely to keep bouncing higher through the FOMC announcement on Wednesday, but hawkish comments from Chairman Jerome Powell's press conference following the announcement proved too much for markets to bear. Stronger economic data on Thursday also reinforced the Federal Reserve's ability to begin raising rates sooner rather than later.

U.S. GDP was announced to be +6.9% in Q4 vs expectations of 5.5%. The combination of expected higher interest rates and strong GDP growth sent the U.S. Dollar Index to its highest level in 18 months, which produced stiff headwinds for commodities. Even so, crude oil traded to the highest level since 2014. Strong demand for goods (and hence commodities) alongside logistical backlog and shortages continues to feed the combination of a stronger U.S. Dollar and higher commodity prices. Risk of a Russian invasion of Ukraine is also fueling worries about wheat and natural gas in global markets, as well as driving investors toward the USD as a safe-haven. The cross-flows of increased

risk and surging demand have heightened volatility in the commodity sector.

Export Sales

Despite cotton futures trading to life of contract highs last week, merchants were still able to book another 391,300 Upland bales for delivery this crop year and 106,800 bales for next. Big buyers of current crop included Vietnam (132,900 Bales), India (62,400), China (58,200), Bangladesh (39,400), and Pakistan (37,300). Indonesia (33,900) and Pakistan (22,900) were the big buyers for the 2022/2023 marketing year. Shipments continue to lag the normal pace, as only 202,200 bales were reported to have shipped, which causes some alarm among analysts. There is additional worry about executing exports as several supply chain companies and their unions have impending negotiations. But, despite the slow fulfillment, demand has yet to waver in the face of higher prices.

Weather and New Crop Outlook:

Parts of West Texas, Kansas, and Southwest Oklahoma received snow over the past few days, and for much of the territory it was the first precipitation in weeks or months.

Unfortunately, the snow was not enough to change the region's drying trend. Virtually all of the West Texas cotton area is short or very short of soil moisture, which will make it important to not only receive a planting rain but also regular rains for the rest of the growing season, supposing current conditions persist. For now, there are only scattered, low-probability precipitation forecasts for the area. South Texas's forecast is better, but regular rains are needed there as well.

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