



OCTOBER 29, 2021

DECEMBER FUTURES FINISH WEEK AT 113.73 CENTS

- **Stocks Continued to Make New Highs This Week**
- **Cotton Demand Remained Healthy for Week Ending October 21**
- **Texas Crop 40% Harvested**
- **Cotton Now Entering Warehouses at Normal Daily Rate**

Cotton futures traded their lowest price of the week last Friday, rallying off last Thursday's settlement at 106.14 cents per pound. Prices touched 110.14 cents in Monday's trading but moved sideways to lower from then until Wednesday morning when buyers surged into the market. The rally continued on Thursday,

supported by a strong export sales report. December futures finished the week at 113.73 cents, up 759 points. 113.73 is the life-of-contract highest close for the December futures contract. Trading volumes were quiet early in the week but shot higher on Wednesday and Thursday. Buyers added 1,499 contracts to total open interest, which now stands at 286,727 contracts.

Outside Markets

Stocks continued to make new highs this week as earnings reports continued to beat expectations. Economic news, on the other hand, was mixed. Data was positive early in the week with manufacturing activity and consumer confidence surging above analysts' expectations. Jobless claims also moved lower, continuing to trend down to pre-pandemic levels. On the negative side, Wednesday's Advanced Goods Trade Balance showed U.S. imports greater than exports by \$96.3 billion dollars, which was significantly worse than expected. With 3rd quarter GDP also missing expectations on Thursday investors saw more room for the Federal Reserve to turn dovish, and the U.S. Dollar took a sharp turn lower. If the Dollar continues to weaken, it will provide further tailwind to agricultural commodities.

Export Sales

Despite high prices, demand for cotton remained healthy for the week ending October 21. In fact, current and next marketing year combined sales were the best for this week in the marketing year since 2003. Net new sales of 360,800 Upland bales were recorded for the 2021/22 marketing year and 20,000 bales for 2022/23. China was the biggest buyer with 186,700 bales, closely trailed by Turkey with 149,200 bales. India booked 5,700 bales, South Korea 4,300 bales, and Mexico 3,900 to round out the top buyers. Net new sales of Pima were down with only 8,500 bales being sold. The lack of cotton available put the total combined shipments far below average with only 65,600 bales

being shipped, but shipments will increase as harvest continues and more cotton starts to come in.

Crop Progress and Weather

Cotton harvest is still lagging compared to previous years, with this week's harvest is still behind the usual levels. 35% of the crop was harvested as of last Sunday, which is six percentage points below the average pace of 41% by October 25. With 40% of the crop harvested, Texas is still above the average of 36% for previous years. Good harvest weather on the High Plains has certainly been a big help. There are some chances of rain in the Southwest next week, but the Mid-South and Southeast have more significant odds. Hopefully the rains will dry up there soon and those growers will have a chance to bring in the rest of their crops.

The Week Ahead

As gins start operating at capacity, cotton is finally entering warehouses at a normal daily rate. The severe delays have not helped the desperate need for cotton, and many merchants are still feverishly trying to cover prompt shipping needs. Their physical cotton books and price fixations are taking up most of their attention. Weather is still a concern for the cotton that is left in the fields, but its importance is dwindling. Aside from the weekly Export Sales Report, the market's attention will soon be turning to the November Crop Production and WASDE reports that are coming November 9.

In the Week Ahead:

- 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