



APRIL 30, 2021

RAPID RISE AND FALL OF FUTURES PRICES

- July Futures Gained 49 Points This Week
- Export Commodities Receive More Tailwind
- U.S. Export Commitments Still High Despite Recent Slow Sales
- Rain Hit Some Parts of Southern High Plains

July futures gained 49 points to finish this week at 86.54 cents per pound, but the measly gain hides a dramatic intra-week picture. Futures rallied sharply Friday through Tuesday, hitting their highest level since March 3 at 91.66 cents. Prices fell back down Wednesday and Thursday. Despite the rapid rise and fall of prices, trading volumes were not particularly heavy, which makes the increasing open interest a little more surprising.

Traders added 7,187 contracts since last Thursday, putting total open interest at 221,682 contracts.

OUTSIDE MARKETS

The Federal Open Market Committee held to their accommodative monetary policy this week. Interest rates will not go up in the near term as the policy makers continue to cite risks in outlook and continuation of the public health crisis. Although inflation risks are rising and this week's initial unemployment claims were the lowest since the pandemic started, the Federal Reserve believes inflationary pressures have been caused by temporary supply chain issues, signaling an even greater willingness than expected to let inflation run high for a while. The continuation of "easy money" put the U.S. Dollar back under pressure this week, giving export commodities more tailwind.

EXPORT SALES

Export sales of U.S. cotton were lackluster for the seven days ending on April 22. Exporters were only able to book another 77,100 net Upland bales for shipment in this year and 16,300 bales for shipment next year. Pima net sales were 4,800 bales for this year and 2,500 for next, which is still fairly healthy considering that Pima prices are not far from two dollars per pound. Shipments are 341,900 of Upland and 14,500 bales of Pima, which is still rather strong for this week of the marketing year. Despite the last two weeks of slow sales, U.S. export commitments are still rather high. In statistical bales, i.e. converted to 480-pound bale weights, the U.S. has already committed 16.34 million bales to the export market with three months of the marketing year still to go.

WEATHER

Rains hit parts of the Southern High Plains over the last few days. Although it has not been what one would call a "soaker" the southern and southeastern edges of the Southern High Plains received healthy swathes of moisture. Most of the Rolling

Plains accumulated better rainfall, too. The upper two-thirds of the High Plains are still waiting, albeit a little more hopefully than at this time last week. Unfortunately, the outlook for the next two weeks does not contain much moisture and the seasonal outlook is for below normal precipitation in this region. Hopefully the pattern will change soon.

THE WEEK AHEAD

West Texas weather will continue to be a focal point for global traders. Crop Progress and the weekly Export Sales Report are the main data points for cotton traders between now and the May 12 WASDE.

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