



AUGUST 30, 2019

MARKET CLOSES SLIGHTLY HIGHER THAN LAST WEEK

- **Open Interest Reaches Highest Level Since April**
- **Cotton Rated Good to Excellent Falls Below 2018 Levels**
- **Eyes on Hurricane Dorian in Southeast**
- **Export Demand Fairly Low for Week**

Cotton futures began the week with a dramatic dip to a fresh multi-year low at 56.59 cents per pound. President Trump had announced intent to raise existing tariffs on Chinese imports by 5 percent on Friday, and the market reacted with a continued sell-off Sunday evening in the overnight session. Early Monday morning, President Trump indicated that talks were to be back on with the Chinese, which spurred the market to regain ground. The week's high was set on Tuesday as prices rallied to 59.49 cents before falling back. Prices drifted higher within Tuesday's trading range for the rest of the week, finishing at 58.83 cents, up 62 points from the previous Friday. Trading volumes were relatively heavy Monday and Tuesday, but fell back toward normal later in the week. interest made impressive gains, adding 6,669 contracts to total 223,150, which is the highest level since April.

CROP PROGRESS AND CONDITIONS

Monday's Crop Progress and Conditions Report showed another deterioration in the U.S. crop, with the share of cotton rated "Good" or "Excellent" falling below 2018's levels. There were some helpful, albeit scattered, showers in the Southwest this week, but the decline in condition was a significant factor in the market's rally on Tuesday. Hurricane Dorian's track shifted to put the Southeast crop into greater risk of flooding and wind, which also helped support prices. The South eastern region is opening ahead of normal pace, which puts more cotton at risk of quality loss from the expected heavy rains and flooding. Georgia, for instance, was 30 percent open as of last Sunday versus a five-year average of 19 percent. The storm is predicted to collide with the Florida coast mid-day Sunday. Go to nhc.noaa.gov for the official forecast track and warnings.



EXPORT DEMAND

Export demand was fairly low for the week ending August 22. Exporters made net new sales of 146,000 bales of Upland for delivery this marketing year and 23,200 for 2020/21. The largest buyers were Turkey (46,100 bales), Vietnam (27,800), India (20,800), and Mexico (16,100 for this year and 17,000 for next). Shipments of 171,000 bales were significantly slower than in recent weeks. Hopefully this week's drop in

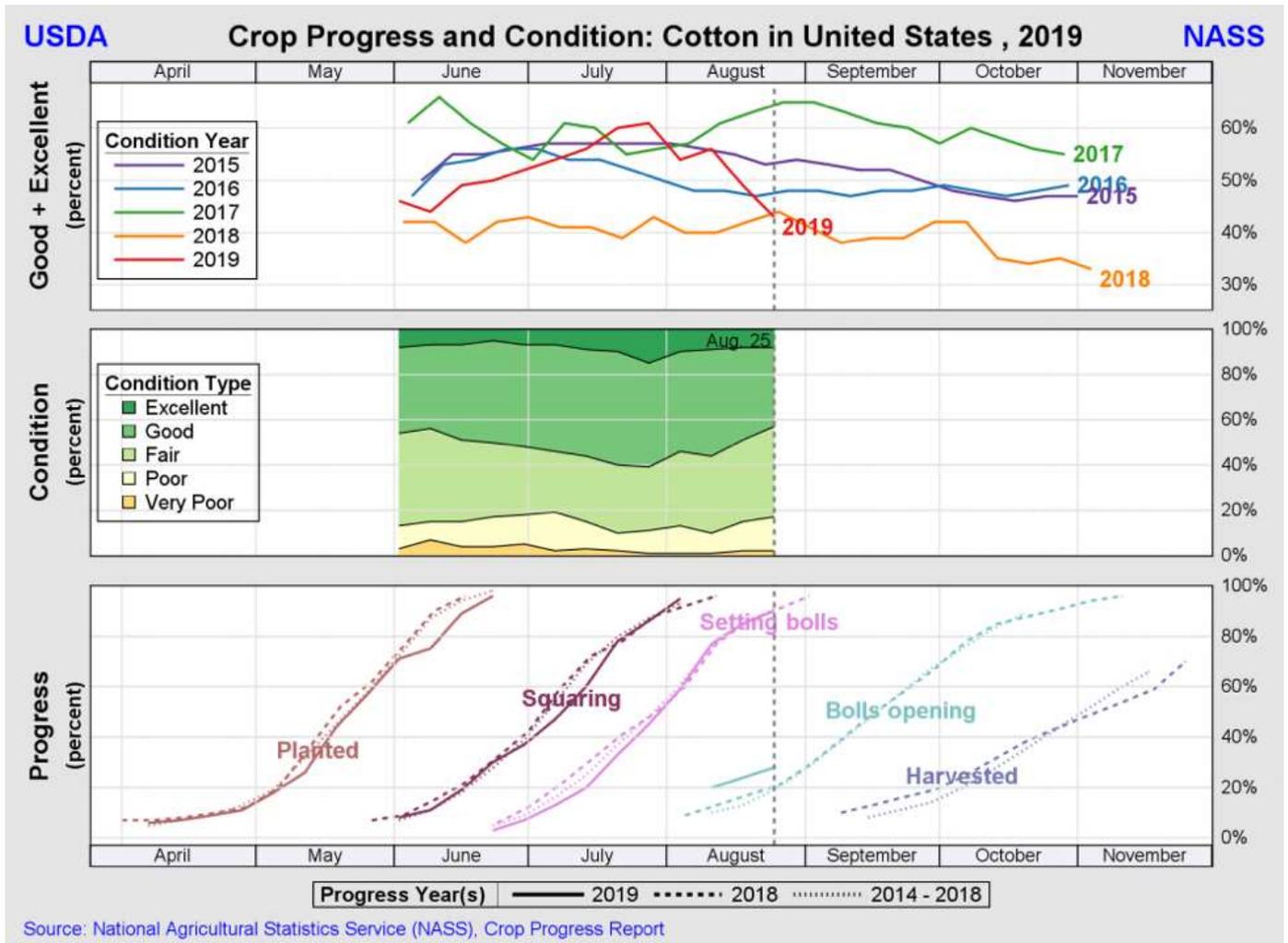
prices helped to spur more interest, but many mills report being afraid to increase commitments under the current uncertainty about economic performance and trade. Hopefully this week's dip to new lows will have revived demand when we see next week's report.

MACROECONOMIC OUTLOOK

Aside from the on-again-off-again trade talks, concern about the macroeconomic outlook seems to be concerning investors more and more. For the first time since the financial crisis, yields on 10-year U.S. Treasury notes fell below the 2-year notes, signalling investors are increasingly less certain about long-term investments. With many foreign central banks running negative interest rates, the inversion may just reflect international funds chasing a positive yield. However, business and consumer sentiment seem to be edging lower as well, and the mood in the markets is decidedly more cautious.

LOOKING AHEAD

Traders will be welcoming Labour Day on Monday, and likely enjoying the last long weekend before the season really starts rolling. The holiday will be delaying weekly government reports by a day, too. Aside from the usual weekly watch over crop progress and exports sales, the market's attention will be squarely on Dorian's path and the President's Twitter feed.



IN THE WEEK AHEAD:

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