



# Cotton Market Weekly

**JANUARY 31, 2020**

## **FUTURES ON A VOLATILE RIDE**

- Open Interest Increases
- Weekly Export Sales Reach a Marketing Year High
- A Tough Week for Global Markets
- Traders Worry About Damage to China's Economy

The futures market continued to whipsaw traders as prices rode up and down on a rollercoaster this week. March futures touched a low of 68.00 cents per pound on Monday before rebounding intra-day for a slight gain, and the price continued upward to 70.92 cents on Wednesday before falling back again. March futures settle Thursday at 69.05, down 98 points and close to the middle of the recent trading range. Open interest gained steadily during the week, regardless of whether prices closed higher or lower, to finish the week at 267,505 contracts, up 6,501 from last

Thursday. Average daily volume moderated but was still fairly heavy.

## **SPOT MARKET ACTIVITY**

The Seam's G2B trading volume for the past week was just over 28,000 bales, approximately 10,000 bales less than the previous week's total. The average price received by producers was 61.88 cents per pound, up 10 points from the previous week's average. The average premium over the CCC loan was 11.06 cents per pound, down 31 points from the previous week's average. G2B offers late Thursday stood at 266,000 bales.

## **EXPORT SALES**

Net new export sales for the week ended January 23, 2020, were 347,100 bales of Upland (the highest level this marketing year) and 15,800 bales of Pima. Sales for the 2020-21 marketing year added 50,200 bales on top of that. The question of whether China would quickly begin buying U.S. agricultural goods was answered as China made its biggest single-week purchase of cotton in more than three years. Net new Upland sales to China totaled 109,900 bales for delivery in the 2019-20 marketing year with another 30,800 bales ordered for delivery in the 2020-21 season as well. This week's shipments also were healthy at 340,000 bales, 74,200 of which went to China.

## **OUTSIDE MARKETS**

Despite the signing of the USMCA and the new evidence of resumed Chinese purchases, global markets had a very tough week and with good reason. On Thursday, the World Health Organization declared the novel coronavirus that first appeared in Wuhan, China, an international health emergency, a move that triggers some additional authority for the WHO to issue advisories and guidance. The effect of past declarations actually has calmed markets, and traders hope this one will as well. Global stock markets were broadly lower before the declaration

but seem to have come off their lows. The Federal Reserve kept its key interest rate unchanged on Wednesday and revised some language that could pave the way for easing later this year should prices begin to decline.

## **CHINA'S ECONOMY**

The big question on traders' minds now is how quickly the coronavirus will pass and how much economic damage it will do to China's economy. With cancelled Lunar New Year celebrations, restricted travel on a great portion of the population, and extended quarantine in many places, the effects are likely to be rather significant. Whether or not China returns to the market soon is yet to be seen and probably will not become evident for a few weeks. With the Far East shut down for holidays, most traders expect a smaller export sales figure next week, too. Outside markets and their ability to recover from the "risk-off" trading spurred by the coronavirus likely will continue to have a significant impact on cotton in the week ahead.

## **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