



MARCH 8, 2019

MARKET FAILS TO BREAK OUT OF RECENT RANGE

- **Buyers and Sellers Remain Cautious**
- **Export Sales Remain on Track**
- **WASDE Report a Non-Event**
- **More Focus on Weather**

March futures' last trading day was Thursday, and May futures are officially the lead contract now. Prices rose to a high of 74.90 cents per pound on Wednesday, but fell back to a low of 72.51 on Friday ahead of USDA's WASDE report. Trading activity picked up versus last week, but the market's failure to exit the past few months' price range slowed things down today. Open interest declined as the market moved higher during the week, implying shorts exiting the market was the predominant cause of the move higher. For the week, May futures finished at 73.49 cents per pound, down 36 points from last Friday.

EXPORT REPORT REFLECTS CAUTION

Both buyers and sellers are exhibiting extreme caution in the current market. Thursday's Export Sales report showed the hand-to-mouth nature of buying from the world's mills. Both the weekly net new sales (127,800 bales of both Upland and Pima) and the weekly shipments (389,300 bales combined) were almost exactly at the average levels needed to hit USDA's current U.S. export forecast. Although prices are admittedly attractive to many mills, they do not wish to pick up the risk of the U.S. trade dispute continuing.

WASDE CONTAINED ONLY MINOR CHANGES

Besides export sales, traders also were keen to see what USDA would forecast in the March WASDE report. Perhaps many of them were relieved to see so few changes this month. U.S. cotton's balance sheet was completely unchanged, and there were only minor international revisions. Production expectations increased in Brazil (+350,000 bales) and Pakistan (+200,000 bales), but were reduced in Australia (-100,000 bales). A reduction of 50,000 bales to Indonesia's consumption was the only change in world cotton use. With a few other minor changes, world ending stocks were increased 590,000 bales to 76.09 million, a reduction of 5.05 million bales compared to the end of last marketing year.

UNCERTAINTY PREVAILS

Although the WASDE report did not show many interesting revisions, the market was still surprisingly inactive Friday. The underwhelming response to the report clearly demonstrates how much the uncertainty surrounding international trade continues to afflict the market. It seems increasingly unlikely that traders will take any major positions before trade agreement details are public and the agreement is official.

WEATHER AND WAITING ON A TRADE DEAL

The market seems to expect the next few weeks to look similar to the past few. USDA reports are officially caught up now, which means analysts are finally looking at timely reports. Producers' and buyers' attention is turning to weather and fieldwork. West Texas is still very dry but thankfully has some rain in the forecast. More is needed. Aside from upcoming crop prospects, the usual reports will get their due attention this week. Nevertheless, macroeconomic outlook and U.S.-China trade deal developments are the most likely factors to influence price for the near future.

IN THE WEEK AHEAD:

- Thursday at 7:30 a.m. Central – Export Sales report
- Thursday at 2:30 p.m. Central – Cotton On-Call as of March 1, 2019
- Friday at 2:30 p.m. Central – Commitments of Traders as of March 5