

Thompson On Cotton: Watching Paint Dry

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If you like watching paint dry or chrome rust, last week's cotton market was the place to be. Although, after the zaniness of the past few weeks, it was somewhat welcomed. With merchants closing early on Wednesday followed by an abbreviated trading session on Friday, volume was well below average. Moving in a narrow range of only two cents over the course of the week, March futures settled at 80.99 for a small loss of fifty-two points.

With traders more consumed with thoughts of Thanksgiving's fun, food, and fellowship, there was no major news to sway their attention. Also, December exited the Board quietly with no fireworks. Now with March futures solely in control and more heavily influenced by demand the next few months could prove to be most interesting. Especially, considering there is a disparate amount of cotton rolled forward and yet to be priced.

We did have another excellent week of export sales wherein 322,200 bales of current crop were sold. Even though fourteen countries participated, China alone accounted for three fourths of these sales. Total U.S. sales commitments to China for this marketing year stand at 2.9 million bales with 1.8 still outstanding. This compares to last year at this time when sales totaled 1.86 million with 886,500 bales outstanding. Shipments continue to disappoint as a meager 77,900 bales were exported, the lowest weekly volume since November 2021. To meet export estimates over the remainder of the marketing year weekly sales need to average 112,000 bales while shipments need to average 254,000 bales. Such lopsided demand is worrisome for it reflects weak world trade. In addition, as hints begin to swirl Brazil may expand cotton acreage in 2024, competition for a smaller piece of pie will heighten.

With so much riding on demands a constant eye will be kept on the economy. There are no major economic reports due out this week. However, several Fed governors are scheduled to make comments which will be weighed and scrutinized to gauge their mindset on interest rates. We will also get results from Black Friday sales followed by those from Cyber Monday to gauge consumer spending activity.

Where to from here? Due to last week's holiday, the CFTC report will be delayed until today, Monday the 27th. All will be watching to see if managed funds continued their aggressive selling of the past six weeks or changed market sentiment. Over the course of this reporting period, prices fell only 46 points so hopefully the latter is true. We desperately need them along the market. Now that December is gone, and the rolls have been completed maybe we'll see a return to normalcy, whatever that may be. Looking at the charts, expect March futures to encounter resistance at 82.50 and though there seems to be support at 80 cents for now, it's shaky at best.