



PLAINS COTTON  
COOPERATIVE ASSOCIATION

A photograph of a cotton field with green leaves and a dirt path. The text 'Cotton Market Weekly' is overlaid in white.

# Cotton Market Weekly

**OCTOBER 27, 2023**

**DECEMBER FUTURES FELL BELOW RECENT LONG-TERM TRADING RANGE FOR MOST OF THE WEEK ENDING OCTOBER 27**

- U.S. GDP Surged in Third Quarter, Beating Market Expectations
- An Uptick in Demand for U.S. Cotton Reported for Week Ending October 19
- Adverse Weather in Coming Week Could Hinder Harvest Activities Across Texas, Oklahoma, and Kansas

The cotton market stayed in the lower end of the trading range recently established for most of the week. Cotton prices went into the weekend settling at the lowest close since August of this year. Many issues were credited for the drop including weaker

Chinese cotton prices and the idea that more cotton is readily available in the U.S. now that harvest has started to advance throughout the country. On Monday, futures opened lower but eventually turned and settled higher from fresh export interest and rain on an open crop in the Southwest. A strong U.S. Dollar and mixed economic news kept cotton futures trading in a pretty tight range most of this week. An improved Export Sales Report brought December futures back to last week's close. For the week ending October 26, December futures settled at 84.59 cents per pound, managing to edge out a small gain of 32 points from the week prior. Certificated stock increased 12,501 bales, finishing at 70,706 bales, and continuing to stay at the highest level since September 2021. Daily trading volumes were lower this week and total open interest also declined 11,684 contracts to 236,394.

## **Outside Markets**

Stocks fell under pressure this week as earnings reports and geopolitical tensions continue to weigh on the market. The conflict between Israel and Hamas continues, with a ground invasion now expected from Israel, and many still worried about the conflict spreading further. The Federal Open Markets Committee (FOMC) meets again on Tuesday and Wednesday of next week. It is likely that the Fed will pause interest rates at this meeting, but the economic data released this week was generally hawkish where interest rates are concerned. The 10-year U.S. Treasury note surged this week, reaching 5% for the first time in 16 years. U.S. Gross Domestic Product (GDP) showed robust growth for the third quarter, expanding at a 4.9% rate compared to the 4.3% expected by analysts. The growth stemmed from strong consumer spending and the resiliency shown by the job market over the past quarter. The weakness in

stocks helped the U.S. Dollar rise, providing a headwind to commodities much of the week. Despite the strong economic news, a slowdown is still expected in 2024 and markets are anticipating the Fed will begin cutting interest rates midway through next year. Lastly, after 3 weeks without a speaker, Mike Johnson was elected as the House of Representatives speaker, meaning the House can resume normal activity.

## **Export Sales**

An uptick in demand for U.S. cotton was reported on the Export Sales Report for the week ending October 19. As expected, the recent price dips stirred up a bit more demand than has been reported in previous weeks. A net total of 186,100 Upland bales were sold for the 2023/24 marketing year. The biggest buyer for the week was China, booking 98,500 bales, followed by Bangladesh with 44,900 bales, South Korea with 5,700 bales, and Taiwan with 3,900 bales. Unlike the increased sales seen, shipments were dismal with 98,000 bales exported. This was a marketing year low, and shipments continued to stay behind the pace needed to reach the USDA export expectation. Pima sales were also strong for the week, with a total of 14,100 Pima bales sold and 4,400 bales shipped.

## **Weather and Crop Progress**

Harvest and classing's have really ramped up in the past week across West Texas, Kansas, and Oklahoma. Rain was received across the region early in the week, limiting harvest activities and causing concern amongst traders and producers on how the weather will affect the open bolls remaining on the plants. Open skies and dry weather are forecast going into the weekend, but another cold front and rainy weather are expected as the week begins, which could hinder harvest activities. Harvest is slightly

above the usual pace in the U.S., with 41% of the crop harvested versus the 39% average. As of October 22, Texas has 40% of the crop harvested, Oklahoma has 22% harvested, and Kansas has 30% harvested. Texas and Oklahoma are right in line with the 5-year average harvest pace, but Kansas is far ahead of the average, which is typically 13% at this point in the year.

## **The Week Ahead**

Although the crop size is projected to be smaller than average, gins are beginning to operate at capacity and cotton will be entering warehouses at a normal daily rate, which is a change compared to last year. The Export Sales Report, daily classing reports, and cash market offers will retain their usual focus, but next week's attention will be on the Federal Open Markets Committee meeting that is set to take place on October 31 and November 1.

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