



OCTOBER 20, 2023

DECEMBER FUTURES FELL BELOW RECENT LONG-TERM TRADING RANGE FOR THE WEEK ENDING OCTOBER 19

- U.S. Retail Sales Higher than Expected, but Clothing Sales Declined, Adding Pressure to Cotton Prices
- Lackluster Demand for U.S. Cotton Reported for Week Ending October 12
- Favorable Harvest Weather Set to Continue in Upcoming Week

December futures faced pressure this week, breaking through the low end of the trading range that was established in the past few months. Cotton prices were higher going into the weekend, being boosted by rising crude prices and geopolitical concerns.

Prices pulled back early in the week, settling at low levels not seen since August of this year. Support was found on Wednesday when fixation levels were triggered, helping futures bounce back to the lower end of the long-term moving average. A lackluster Export Sales Report and mixed news in the outside market caused cotton futures to trade on both sides of the market on Thursday. For the week ending October 19, December futures settled at 84.27 cents per pound, down 65 points when compared to the week prior. Certificated stock increased 14,634 bales, reaching its highest level since 2021, and finished the week at 58,205 bales. The daily volume traded was heavy this week, but total open interest declined 3,532 contracts to 248,078.

Outside Markets

It was another volatile, mixed week for outside markets. Geopolitical tensions continue with the Israel and Hamas conflict and have many worried the conflict will spread further in the Middle East. This has impacted crude oil prices recently, keeping crude trading up and down. Despite the U.S. removing sanctions against Venezuela, crude managed to edge out gains to finish the week. Higher than expected U.S. Retail Sales pressured major indexes on Tuesday but added support to the Fed's higher-for-longer interest rate outlook. The headline figure showed a gain of 0.7% for the month of September, but the clothing and apparel sector declined 0.8%, which added to cotton's decline. Despite rallying yields on US treasuries, which reached a 16-year high, the U.S. Dollar stayed within a tight range for the week. U.S. Initial Jobless claims were lower than expected, falling below 200,000 claims for the first time since February of this year. Stocks were mixed to finish the week after

the Fed Chair signaled there could be an extended pause in interest rates but does not view the current rates as too high.

Export Sales

The recent narrative of weak demand for U.S. cotton proved to be true once again. For the week ending October 12, the U.S. Export Sales Report showed another week of lackluster demand for U.S. cotton. A net total of 71,300 Upland bales and 7,200 Pima bales were sold this week. For Upland cotton, Guatemala was the biggest buyer, booking 21,100 bales. China closely followed by booking 20,700 bales, then Bangladesh with 19,300 bales, Peru with 8,400 bales, and Vietnam with 6,500 bales. Shipments continue to lag the pace needed to reach the current USDA export estimate of 12.2 million bales. A total of 109,900 Upland bales and 1,000 Pima bales were shipped for the week.

Weather and Crop Progress

It has been a challenging year for producers, but thankfully this past week's weather conditions were ideal as harvest advances across West Texas, Oklahoma, and Kansas. The warm, dry conditions are set to continue into next week, which will help as adverse weather is expected towards the end of the month. Colder temperatures and above average rainfall is expected at the end of October, which could impact the current pace of harvest. Overall crop conditions worsened slightly this week, but the amount of bolls open and cotton harvested are right on pace for what is typically seen at this point in the year. As of October 15, 87% of bolls have opened throughout the country and 33% of the expected crop has been harvested.

The Week Ahead

Although favorable weather conditions are expected in the coming week, weather is still a concern as the crop starts to

come in. Next week's Export Sales Report will play its usual role, as many are wondering if the recent price dip ignited demand. Lastly, traders will spend more time monitoring daily classing reports and what is being offered in the cash market.

- 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