



**DECEMBER 1, 2023**

**COTTON MARKET WAS OVERALL LACKLUSTER TO WRAP UP THE MONTH OF NOVEMBER**

- Stock Market was Mixed this Week, but Made Strong Gains in November
- U.S. Export Sales were Healthy for the Week Ending November 23
- WASDE Report will be Released on December 8

Focus has officially shifted to the March contract now that First Notice Day for the December contract has passed. Last Friday, although a shortened trading day, did not lack action. The delayed Export Sales Report noted above average sales for the week ending November 16, but still held disappointing shipments. Markets resumed normal hours on Monday and

selling sent prices back below 80.00 cents per pound and managed to stay there most of the week. Cotton prices in China were down substantially, which added weakness in the market to start the week. The cotton market was overall lackluster to wrap up the month of November. Prices were up on Thursday after finding support from U.S. economic data and another good Export Sales Report. For the week ending November 30, March futures settled at 80.06 cents per pound, down 84 points compared to the week prior. Certificated stock decreased 783 bales last Friday, bringing the total to 87,769 bales, where it stayed unchanged for the week. Total open interest continued to decline, falling 804 contracts to reach 193,456.

## **Outside Markets**

The stock market was mixed to end the week but made strong gains for the month of November. Recent economic data has helped boost markets on news of the economy slowing and inflation starting to ease. The Personal Consumption Expenditure (PCE), which is the Fed's preferred measure of inflation, fell in line with expectations. Overall, the October PCE rose 3% year-over-year, easing from what was reported in September. The core PCE, which excludes food and energy, showed a 3.5% year-over-year increase, and was also down when compared to September's report. The 0.2% month-over-month increase is the smallest increase in 2.5 years. Although markets have already been pricing in that the Fed is likely done raising interest rates, the PCE report helped reinforce those opinions. Fed officials did come out to say that their restrictive stance on inflation will likely be maintained. Meaning the interest rate increases are likely over, but rates could be held higher for longer. This news helped the U.S. Dollar rebound from a 3.5 month low. Any gains made in crude oil prices this week were

erased on Thursday, after OPEC announced that it would cut crude production by 1.0 million barrels but did not provide details on which countries would have to cut.

## **Export Sales**

U.S. export sales were lower when compared to prior weeks, but still recorded an overall healthy number for the week ending November 23. A net total of 217,700 Upland bales and 1,600 Pima bales were booked for the week. While sales are still encouraging given the current market conditions, it is interesting to note that this week's sales are slightly below average for what is typical at this point in the year. Given the current pace of sales, shorter crop, and lower expected export number, sales are on pace to meet the export goal. Combined shipments continue to be disappointing. A total of 88,800 Upland bales and 8,900 Pima bales were exported this week. Unlike the number of bales sold, the amount of cotton being shipped continues to lag the pace needed to reach USDA's 12.2 million bale export estimate.

## **The Week Ahead**

The last Crop Progress report of the season showed that the cotton crop across the U.S. is 83% harvested and has exceeded the five-year average pace. In the coming week, classing, receiving, and export sales will be watched, but the December Crop Production report and World Agricultural Supply and Demand Estimates (WASDE) report will take center stage. With many believing the crop in the Southwest is lower than current estimates, fundamental traders will be looking to the WASDE for direction.

- 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
- Friday (December 8) at 11:00 a.m. Central – WASDE