



DECEMBER 8, 2023

MARCH FUTURES FINISHED THE WEEK ENDING DECEMBER 7 WITH STRONG GAINS

- Stock Market was Mixed this Week, but Managed to Maintain November's Gains
- S. Production Cut to 12.78 million bales and World Use was Cut to 113.73 million bales
- U.S. Export Sales were Down for the Week Ending November 30

March cotton futures made significant daily gains on Thursday, touching the limit before backing off but still settling at the highest level in over a month. Futures prices were down going into the weekend, trading on both sides throughout the day before eventually settling lower. Monday was a repeat, and

prices dropped to the lower end of the short-term trading range. This pattern continued Tuesday through Thursday, but cotton prices managed to settle with marginal gains spurred by higher Chinese cotton prices. Weak demand is still a worry, but the focus for traders this week was the release of the WASDE. An overall rally in commodities occurred Thursday with technical buy-stops in cotton, allowing prices to break out of the recent consolidation range. For the week ending December 7, March futures settled at 82.59 cents per pound, up 253 points. Daily volumes were relatively light until Thursday when prices rose sharply. Total open interest managed to add 3,537 contracts to reach 197,083. A total of 81,643 bales were decertified this week, dropping certificated stock to 6,126 bales.

Outside Markets

The stock market was mixed this week, but indexes fared well overall and were able to maintain the gains made in November. When compared to last week, the release of economic data was much lighter. China's purchasing managers' index (PMI) was higher than expected, but there are still worries that the economy is not recovering as planned. Crude oil continued its descent and dropped below \$70/barrel for the first time since June this week. The U.S. Dollar was also up for the week, getting a boost from news that China's credit outlook was lowered. U.S. initial unemployment claims increased as anticipated, signaling that the labor market is slowing steadily. U.S. nonfarm payrolls rose 199,000, adding more jobs than the expected 190,000. The U.S. unemployment rate declined to 3.7% in November, down from the 3.9% reported in October. Next week, attention will shift to the December meeting of the Federal Open Markets Committee (FOMC). There is little to no chance the Fed will raise interest

rates at this meeting and analysts are hoping to gain further insight as to when interest rate cuts will begin.

WASDE

The World Agricultural Supply and Demand Estimates (WASDE) Report was released by USDA on Friday, December 8. The market action covered in this section is not discussed in the futures activity section above. Due to the importance of the report, we like to cover the data and the impacts it has on the market upon its release. For the U.S. side of the balance sheet, the headline number was the 310,000 bale reduction to the crop, bringing total U.S. production to 12.78 million bales. U.S. consumption was decreased 150,000 bales to 1.9 million bales. U.S. exports were unchanged at 12.2 million bales. With the flow of changes, ending stocks were decreased 100,000 bales to 3.1 million bales. The big cut to overall production came from the Southwest. The Texas crop decreased 500,000 bales to 3.1 million bales, Kansas decreased 5,000 bales to 160,000 bales, and Oklahoma was left unchanged at 350,000 bales. This brings the total Upland crop in the Southwest to 3.61 million bales and 3.645 million bales with the Pima estimate included.

The reduction of the U.S. crop should have made for a more bullish report; however, a surprise cut to overall world consumption added pressure to the cotton market on Friday. World use was cut 1.57 million bales to 113.73 million bales. This allowed for 900,000 bales to be added to world ending stocks. Imports to China increased, which is typically a good sign for the U.S., but were offset by decreases in imports to Bangladesh, Pakistan, and Turkey.

Export Sales

U.S. export sales were down for the week ending November 30, falling below what is typically sold at this point in the season. A net total of 116,400 Upland bales and 3,200 Pima bales were booked for the week. Although the sales reported appear weak, the smaller crop size means the amount of sales the U.S. has been making recently has kept them on pace to reach the USDA export estimate. Shipments are a different story. The rate the U.S. has been shipping cotton is below where we need to be to reach the export estimate. This week's report of shipments was no different than what has been reported most of this crop year. A total of 139,200 Upland bales and 4,000 Pima bales were shipped for the week. Cancelations were more prominent on this report. A total of 41,900 bales were canceled, with most reductions coming from Turkey, Mexico, and Honduras.

The Week Ahead

Now that the WASDE has been released, the market has new data to trade on for the coming month. Attention will be less divided and can revert to daily classing reports, receiving, and the weekly Export Sales report. With the FOMC meeting on December 12 and 13 next week, outside markets will be monitored more closely than usual.

- 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