



JANUARY 12, 2024

MARCH FUTURES FINISHED WITH STRONG GAINS AFTER TRADING SIDEWAYS MOST OF THE WEEK

- CPI Added Layer of Uncertainty to Fed's Decision
- U.S. Production Cut to 12.434 Million Bales, World Use Cut to 112.43 Million Bales
- U.S. Export Sales and Shipments Unexpectedly Strong for the Week Ending January 4

March futures traded sideways most of the week but managed to make strong gains on Thursday to finish on a high note. On Monday, commodity prices in general had a meltdown. Cotton prices went down during the day but managed to recover and etch out minor gains. The story was the same for the rest of the week. Futures prices traded sideways but managed to finish in

the green for three consecutive days. The market went lower on Wednesday, falling under pressure from higher Chinese cotton prices and lower prices in the energy sector. March futures started out firm on Thursday and managed to hold onto the gains, with credit going to a strong Export Sales report and potential cuts to the U.S. crop on the WASDE report. For the week ending January 11, March futures finished at 81.36 cents per pound, up 124 points for the week. Total open interest increased 5,652 contracts to reach 204,948, the highest level since November.

Outside Markets

The December Consumer Price Index (CPI) added a new layer of uncertainty on the direction the Fed will take where interest rates are concerned. CPI came in hotter than expected, increasing 0.3% month-over-month and 3.4% year-over-year. Weekly jobless claims added to the uncertainty when they fell unexpectedly to a two-month low. The U.S. Producer Price Index (PPI) was friendlier to markets than the CPI reading. December PPI fell 0.1% month-over-month and increased 1.0% year-over-year, both weaker than expected. Overall, stocks finished higher when compared to the week prior but finished Thursday mixed. The Dow managed to post a record high during the day despite the issues with Boeing early in the week. Geopolitical tensions in the Middle East allowed crude oil prices to finish the week higher. The Dollar was basically unchanged from the week prior, trading on both sides of the market this week on mixed economic news. Next week, the focus will be on Congress to see if a government shutdown can be avoided.

Export Sales

The U.S. Export Sales report for the week ending January 4 contained surprisingly strong sales and shipments. Net new sales of 262,500 Upland bales for the 2023/24 crop year were reported, much higher than anticipated since the New Year's holiday was during the reporting period. The biggest buyers for the week were China and Vietnam, each booking 117,900 bales, followed by Bangladesh with 18,000 bales, Pakistan with 11,300 bales, and South Korea with 4,300 bales. Shipments were exceptional as well, with a total of 228,100 bales exported for the week. A net total of 2,000 Pima bales were sold and a marketing year high of 26,700 bales were shipped.

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 346,000 bale reduction to the crop, bringing total U.S. production to 12.434 million bales. U.S. consumption was unchanged at 1.9 million bales. U.S. exports were lowered to 12.1 million bales. With the flow of changes, ending stocks decreased 200,000 bales to 2.9 million bales. The big cut to overall production came from the Southwest. The Texas crop decreased 300,000 bales to 2.8 million bales and Oklahoma decreased 40,000 bales to 310,000 bales. Kansas, however, increased 8,000 to 168,000 bales. This brings the total Upland crop in the Southwest to 3.278 million bales and 3.30 million bales with the Pima estimate included.

The reduction of the U.S. crop should have made for a more bullish report; however, a cut to overall world consumption and

increased ending stocks had the cotton market trading sideways on Friday. World use was cut 1.3 million bales to 112.43 million bales. This allowed for 1.98 million bales to be added to world ending stocks, increasing the number to 84.38 million bales.

The Week Ahead

The WASDE is behind us until next month, and traders will now turn their attention to cash trading. The Export Sales report will remain the key focus for the cotton market, seeing that the U.S. is in a potentially tight situation where cotton stocks are concerned. Next year's cotton acres are starting to come to the front of people's minds, so the performance of competing commodities will be monitored in the coming months. Lastly, markets will be closed on Monday due to the Martin Luther King, Jr. holiday.

The 2024 U.S. Cotton Trust Protocol enrollment is now open! Please contact the PCCA office at 806-763-8011 for more information and assistance with the enrollment process. The application deadline for the 2024/25 crop is April 30, 2024.

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday (all day) – Market Closed for MLK Day
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton On-Call