



DECEMBER 15, 2023

COTTON FUTURES CONSOLIDATED AFTER LAST WEEK'S ROBUST GAINS

- Optimism from Fed Interest Rate Decision Fueled Rally in Stock Market
- S. Export Sales Less than Impressive for Week Ending December 7

Cotton futures traded on both sides of the market this week, consolidating after last week's robust gains. The release of the WASDE this past Friday reported a smaller U.S. crop and a decrease in global consumption. The rally experienced last Thursday halted and the overall bearish WASDE report sent March futures down headed into the weekend. Cotton specific news was light this week, but technical trading and

macroeconomic news kept futures trading on both sides of the market. Crude oil prices tanked this week, and while they did recover slightly towards the end of the week, pressure from the decline weighed on cotton prices. For the week ending December 14, March futures settled at 80.81 cents per pound, down 178 points for the week. A total of 173 bales were decertificated this week, dropping certificated stock to 5,953 bales. The daily volume traded was lighter when compared to last week, and total open interest remained steady, decreasing 287 contracts to 196,796.

Outside Markets

The stock market made strong gains this week. Optimism from the Fed's decision to hold interest rates steady on Wednesday fueled the rally. Major indexes were all higher, but the Dow, in particular, had a record close that day. The target rate range was kept at 5.25-5.5%, but forecasts have started to signal that three interest rate cuts could happen in 2024. The Fed mentioned that they are cautious. They are still unsure if a recession will happen, but the effects of interest rates have yet to be fully realized in the U.S. economy. From here forward, the focus will be on unemployment, which remains in a historically low range. Although the Fed decision was the headline news of the week in markets, there was a slew of economic data released leading up to the announcement. The November Consumer Price Index (CPI) came in slightly hotter than expected, increasing 0.1% month-over-month. The year-over-year increase was 3.1%, which is down from the October reading and shows that progress is being made towards the Fed's goals. The Producer Price Index (PPI) was unchanged for the month and increased 0.9% year-over-year, which was below expectations. U.S. Retail Sales showed a surprise increase of 0.3% month-over-month

and was up 4.09% year-over-year. While the stock market reacted positively to the data releases this week, the data was bearish for the U.S. Dollar. The Dollar sank to the lowest level seen since this summer.

Export Sales

U.S. export sales were less than impressive for the week ending December 7. The first week of sales for the month of December showed a subdued 57,800 Upland bales were sold to foreign markets. The biggest buyer for the week was Vietnam, booking 21,200 bales, followed by Honduras with 16,900 bales, El Salvador with 6,100 bales, Mexico with 3,500 bales, and Pakistan with 3,100 bales. Reductions were prominent on this report. Cancellations totaled 64,500 bales with 56,200 bales from China alone. Shipments increased when compared to last week but are still down from the normal amount shipped at this point in the year. A total of 148,700 Upland bales were exported for the week. Pima sales and shipments fared better than what was reported for Upland cotton. Both Pima sales and shipments were up when compared to prior weeks. A net total of 7,700 Pima bales were booked and 19,000 bales were exported for the week.

The Week Ahead

Now that harvest is basically done in the Southwest, the rains received over the past week were welcome and more precipitation will be needed to restore soil moisture. The coming week will be another light week where cotton news is concerned. With the Southwest crop size almost as small as last year's and continued worries about demand, traders will keep a close eye on the Export Sales Report and daily classing reports.

- 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