



**NOVEMBER 10, 2023**

**COTTON PRICES CONTINUED TO DECLINE,  
REACHING AN 11-MONTH LOW DURING THE WEEK**

- Stock Market Was Higher Most of the Week
- U.S. Production was Raised 270,000 Bales to 13.09 million Bales on November WASDE Report
- Strong Export Sales were Reported but Shipments Continue to Disappoint
- As of November 5, 57% of the 2023/24 Crop Has Been Harvested Across the Cotton Belt

Cotton prices continued last week's descent, and even settled at an 11-month low at one point during the week. Out of the last 10 trading sessions, December futures closed lower for 8 of the sessions. This week was full of activity for the cotton market,

which received pressure from cotton specific news and the current macroeconomic environment. Much of the activity came from the largest index fund rolling their position from the December contract to the March contract, speculative selling, and options expiration. The release of the Export Sales Report and WASDE Report on Thursday helped provide a little support for the market, and nearby months finished in the green for the first time in over a week. For the week ending November 9, December futures settled at 76.52 cents per pound, down 328 points when compared to the week prior. Daily trading volume was some of the highest on record, which can largely be credited to traders moving their positions forward. Since last Thursday, total open interest fell 6,981 contracts to 230,107 while certificated stock grew 5,193 bales to 83,652 bales. The drop in open interest stemmed mainly from the December contract, and in terms of open interest, March has now become the lead contract.

## **Outside Markets**

The stock market had a mixed, but overall solid week of gains. The NASDAQ and S&P 500 logged over a week of higher settlements, with the NASDAQ having its longest winning streak in two years. The Dow did not post the winning streak the other indexes did. However, it has held steady this week, remaining at its highest level since mid-October. Cotton was not the only commodity struggling this week. Crude oil prices tanked as well, reaching the lowest price level since July, but did manage to finish in the green. Data out of China released this week suggested the economy is still struggling to recover post-pandemic. Markets in the U.S. have discounted another interest rate hike and are expecting the economy to slow down in the months to come. Weekly initial jobless claims fell slightly this

week, which was right in line with expectations. The ever-resilient labor market is a big reason another raise in interest rates is not off the table, though the likelihood is declining.

## **WASDE**

The market has new data to trade on following the release of the World Agricultural Supply and Demand Estimates (WASDE) Report on November 11. Compared to what the market expected, the actual changes reported on the balance sheet were slightly bearish. Many analysts expected a cut to U.S. production, but USDA added 270,000 bales to the crop, bringing U.S. production to 13.09 million bales. Domestic consumption was lowered 100,000 bales to 2.05 million bales, but exports were unchanged at 12.2 million bales. These revisions caused ending stocks to increase 400,000 bales to 3.2 million bales.

State-wise, the expected crop size in the far West, mid-South, and Southeast were raised, which more than made up for the slight decrease made in the Southwest crop. As expected, Texas production was lowered 200,000 bales to 3.6 million bales and Kansas was unchanged at 165,000 bales. The 80,000-bale increase to bring Oklahoma production to 350,000 bales has many analysts confused. The current crop condition in Oklahoma had many expecting a cut to the state's production.

On the global side of the balance sheet, ending stocks were raised 1.58 million bales to 81.50 million bales. World consumption was lowered 490,000 bales to 115.30 million bales. Chinese imports were raised 500,000 bales while imports to Turkey and Vietnam were lowered a combined 300,000 bales. Otherwise, there were no other notable changes made to the world estimates.

## **Export Sales**

Demand for U.S. cotton remained strong for the third consecutive week. The Export Sales Report for the week ending November 2 reported net sales of 395,200 Upland bales and 20,300 Pima bales. The biggest buyer of Upland cotton was China, purchasing 260,000 bales, followed by Vietnam with 54,500 bales, Pakistan with 27,200 bales, Bangladesh with 14,500 bales, and Mexico with 14,100 bales. Participation was widespread this week, with over 15 countries buying some amount of U.S. cotton. Unlike sales, shipments continue to disappoint and lag the pace needed to reach the current U.S. export estimate. A total of 90,600 Upland bales and 4,000 Pima bales were exported for the week.

## **Weather and Crop Progress**

Harvest resumed across West Texas, Oklahoma, and Kansas this week, as above average seasonal temperatures and open skies were present. A cold front moved across the area Wednesday, bringing moisture to some parts of the Southwest, which could potentially delay harvest again. Harvest is progressing steadily throughout the Cotton Belt. As of November 5, 57% of the crop in the U.S. has been harvested, which is slightly above the 5-year average pace of 55%. There have been rumors that the rains in October could have caused discoloration in some of the West Texas crop. As this cotton has been harvested and ginned, the daily classing reports will be watched closely to see if the rumors prove true.

## **The Week Ahead**

With a new WASDE in hand and Index rolling and options expiration behind us, the market will turn its focus back to the incoming harvest and remaining fixations for on-call contracts in

December. First Notice Day for the December contract is November 23, meaning notices of delivery will be issued and price limits will be removed on December futures. Otherwise, daily classing reports and the weekly Export Sales Report will continue to be a central focus for traders.

- 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