



**NOVEMBER 17, 2023**

## **COTTON PRICES BOUNCED BACK FROM LAST WEEK'S LOWS, BUT STAYED IN TIGHT TRADING RANGE**

- Stock Market Rallies on Slew of Economic Data Released this Week
- Strong Export Sales Reported for Week Ending November 9

Cotton prices bounced back from last week's low but stayed within the recently established trading range. The Goldman Sachs Commodity Index (GSCI) roll wrapped up this week, keeping traders' attention on Monday. Cotton futures managed to recuperate some of last week's big losses. The Chinese Reserve announced that sales would cease, helping support

cotton prices. A flat month-over-month CPI reading, and weaker dollar also provided a boost to prices early on. With First Notice Day quickly approaching, many traders are liquidating or rolling their positions in December forward. This has made a noticeable drop in total open interest, which fell 23,559 contracts to 206,548. A strong Export Sales Report and weaker economic data caused prices to trade both sides on Thursday, settling mixed for the day, but up for the week. For the week ending November 16, December futures closed at 78.68 cents per pound, up 216 points from the week prior. March futures settled at 80.88 cents, up 167 points from last week. Certificated stock increased 1,654 bales to 85,306 bales but has remained at that level since Tuesday.

## **Outside Markets**

There was a slew of economic data released this week, and stocks rallied on news that suggested the economy is slowing. The Consumer Price Index (CPI) for October was released on Tuesday, with the headline number coming in at 0.4% month-over-month, which is unchanged from September. Year-over-year CPI increased 3.2%, which was also below expectations and helped drive the rally in stocks. On Wednesday U.S. Retail Sales fell slightly, declining for the first time since March and sent another signal to markets that the economy is slowing. The Producer Price Index (PPI) declined 0.5% month-over-month, a surprise to analysts since many expected it to rise. The U.S. Dollar was weaker this week, helping boost demand for U.S. cotton overseas. However, the commodity space was under pressure this week. Crude oil in particular took a major hit, and prices declined to the lowest level since July. The news of the slowing economy has many now betting that the Fed will no

longer raise interest rates, and a few believe they could potentially begin cutting rates earlier than expected.

## **Export Sales**

Another strong week of export sales was reported for the week ending November 9. The U.S Export Sales Report revealed net sales of 328,300 Upland bales and 13,900 Pima bales. The biggest buyer of Upland cotton was China, purchasing 176,200 bales, followed by Mexico with 35,000 bales, Vietnam with 32,600 bales, Bangladesh with 23,500 bales, and Turkey with 22,900 bales. Shipments were up slightly when compared to last week but are still behind the pace needed to meet USDA's export estimate. A total of 112,900 Upland bales and 4,500 Pima bales were exported. Another good report is anticipated next week as well, since the lower price trend in cotton makes it more attractive on the export front.

## **The Week Ahead**

While some traders will be waiting to see whether there are any fireworks in the December futures delivery process that begins with First Notice Day next Tuesday, the rest of the market is fairly done with transitioning their positions from December futures to March. Traders will be happy to turn their focus back to daily classing reports and weekly export sales. Now that the U.S. cotton crop is 67% harvested, physical trading and execution will become increasingly more important. Markets will be closed Thursday due to the Thanksgiving holiday, which will also delay the release of a handful of reports.

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress and Condition Report

- Friday (November 24) at 7:30 a.m. Central – Export Sales Report
- Friday (November 24) at 2:30 p.m. Central – Cotton On-Call