



PLAINS COTTON
COOPERATIVE ASSOCIATION

A photograph of a cotton field with green leaves and a dirt path. The text 'Cotton Market Weekly' is overlaid in white.

Cotton Market Weekly

MAY 26, 2023

COTTON FUTURES ERASED GAINS FROM LAST WEEK

- Outside Markets were Mixed from Economic Data and Debt Ceiling Negotiations
- U.S. Export Sales Basically Unchanged from Week Prior
- Southwest Received Much-Needed Rain with More on the Way

In a reversal from last week, cotton futures fell under substantial pressure and erased the gains made over the past two weeks. Uncertainty about the U.S. debt ceiling, rains in the Southwest, and lower demand gave the market reason to change directions. Additional worries about another Covid outbreak in China weighed on the market towards the end of the week. For the

week ending May 25, July futures settled at 80.12 cents per pound, down 654 points for the week. December futures settled at 78.50 cents per pound, down 522 points for the week. Daily trading volumes increased compared to last week, and traders were able to add 7,012 contracts to their positions, bringing total open interest to 192,480.

Outside Markets

U.S. stocks were mostly mixed this week, reacting to news of debt ceiling concerns and strong economic data. The U.S. is edging closer to defaulting on its debt and tensions have been high as negotiators attempt to find a resolution. Outside markets were quiet most of the week, but a slew of economic data was released on Thursday. Major indexes finished the week up, with the NASDAQ climbing to a 13-month high after tech stocks reported high earnings. First quarter U.S. Gross Domestic Product (GDP) was revised upward to 1.3% quarter over quarter, up from the 1.1% increase initially released. U.S. initial jobless claims rose 4,000 to 229,000, which was below expectations of 245,000. Additionally, hawkish comments from the Fed have many traders concerned that more interest rate hikes could occur. The U.S. Dollar reached a 2-month high, gaining ground from the surprisingly good economic data. Crude oil fell sharply on the news that OPEC will maintain its current production target.

Export Sales

For the week ending May 18, the U.S. Export Sales Report showed sales that were basically unchanged from the week prior. A net total of 131,200 Upland bales were sold for the current crop year. Once again, the biggest buyer for the week was China, with 64,800 bales purchased. Vietnam followed, with

30,400 bales purchased, then Turkey with 11,700 bales, Bangladesh with 9,000 bales, and Pakistan with 3,800 bales. As focus is starting to shift to the 2023/24 crop year, sales of new crop will become increasingly more important. A net total of 84,300 bales of new crop were sold for the week. Upland shipments were lower this week, with a total of 268,700 bales exported. Although shipments were weaker compared to what has been recently reported, the pace is still above what is needed to meet the USDA export expectation of 12.6 million bales. Pima net sales were also weaker, with a total of 3,300 bales sold and 13,500 bales shipped.

Weather and Crop Progress

The Southwest has received light to moderate moisture throughout the past 10 days, with hail and strong winds also reported in some areas. The rain has improved topsoil and subsoil moisture throughout many areas in Texas, Oklahoma, and Kansas. As planting progresses, sunshine and warm temperatures will be needed along with timely rains to ensure a healthy crop. More storms and rain are forecast for the coming week, which could delay planting in the areas of West Texas, Oklahoma, and Kansas. South Texas received light rains early this week, but open skies and warmer temperatures were finally present. The dry, warm weather is forecast to continue into next week, helping crop development in the area. According to the Crop Progress Report, 45% of the expected U.S. cotton crop has been planted, which is five percentage points below the average. Texas is slightly behind on planting, with 35% of the crop planted compared to the 5-year average of 43%. Kansas and Oklahoma are progressing at a normal rate, with 40% and 27% of the expected crop planted, respectively.

The Week Ahead

It was evident this week the role weather in Texas can play in the cotton market. The weather will continue to be a large focus for traders, given the importance it has in determining what next year's crop will look like. Due to the Memorial Day holiday, next week will be a shortened week of trading. Although release will be delayed, the Crop Progress Report and Export Sales Report will continue to be a key focus. The Covid situation in China and U.S. debt ceiling negotiations will be monitored to see what the impact will be on markets.

- Friday at 2:30 p.m. Central – Commitments of Traders
- Tuesday at 3:00 p.m. Central – Crop Progress and Condition
- Thursday at 2:30 p.m. Central – Cotton On-Call
- Friday at 7:30 a.m. Central – Export Sales Report