



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

NOVEMBER 3, 2023

**DECEMBER FUTURES SETTLED BELOW 80.00
CENTS PER POUND FOR WEEK ENDING NOVEMBER
2**

- Stock Market Finished Higher after the Federal Open Markets Committee Held Interest Rates Steady
- Marketing Year High Reached in Both Upland and Pima Sales for the Week Ending October 26
- Hard Freeze and Wet Weather Stalled Harvest, but Warmer Temperatures Expected in Week to Come

December futures fell below 80.00 cents per pound this week, settling below the long-term average. Much of the price action in the cotton market this week was technical related. Commodity index funds have started to roll their positions forward, which

was a major contributor to this week's sell-off. Pressure was also added from weak domestic cotton prices in China, slight uncertainty with the Fed's rate decision this week, and continued geopolitical tensions. The market stayed far below average on Thursday, but a strong Export Sales Report did provide a modest intraday boost to cotton prices. For the week ending November 2, December futures settled at 79.80 cents per pound, down 479 points when compared to the week prior. Daily volumes are expected to remain strong in the coming week, as index funds continue to roll forward their positions from December to March. Certificated stock increased 7,753 bales to 78,459 bales while total open interest increased 694 contracts to 237,088 since last Thursday.

Outside Markets

The stock market was under pressure much of the week, anticipating the release of the Federal Open Markets Committee (FOMC) decision regarding interest rates at their meeting this week. As expected, interest rates were held steady, with the suggestion that interest rate hikes might be done. Traders still expect cuts to interest rates midway through 2024, but the Fed did mention that it's not in their immediate plans. Stocks were up to close out the week, due in part from optimism provided by the continued pause in rates and strong third quarter earnings that were reported. Crude oil fell off this week as well. While a portion of the losses were recovered by the end of the week, the lower prices added pressure to cotton. The U.S. Dollar traded on both sides this week, but eventually settled lower on the Fed news and a rise in initial unemployment claims.

Export Sales

Increased demand for U.S. cotton was reported for the second consecutive week. For the week ending October 26, U.S. exporters sold a substantial 457,100 Upland bales and 25,800 Pima bales, with both growths reaching a marketing year high of bales sold in a week. Sales were far above what is typically seen during this week of the marketing year. China took the lead as the biggest buyer this week, booking 324,000 Upland bales. Rumor has it that purchases for the Chinese Reserve made up a good portion of these sales. Mexico was the next biggest buyer, booking 108,200 bales, followed by Peru with 11,200 bales, South Korea with 8,400 bales, and Vietnam with 7,000 bales. It seems that the continued lull in prices and recent International Cotton Association (ICA) Trade Event helped drum up more demand for U.S. cotton. With more cotton coming in, shipments have reached a more seasonal pace. A total of 132,200 Upland bales and 2,600 Pima bales were exported for the week.

Weather and Crop Progress

West Texas, Oklahoma, and Kansas experienced a cold front over the weekend, which brought along the hard freeze many producers were waiting for to finish out the growing season. The week ahead is forecast to bring unseasonably warm temperatures and little moisture, which should allow harvest to resume across the region. Harvest is slightly ahead of pace, with 49% of the crop having been harvested as of October 29. This could change on next week's Crop Progress report, due to the recently wet conditions that stalled harvest in many areas of the Cotton Belt.

The Week Ahead

Next week will contain a flurry of activity in the cotton market. The largest of the commodity index funds will begin to roll their

positions next Tuesday, the WASDE Report will be released on Thursday, and December options expire next Friday. As if that is not enough, traders will also keep their usual focus on weather, daily classing reports, and the Export Sales Report to see if the recent price dips will continue to show increased demand for U.S. cotton.

- 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 11:00 a.m. Central – Crop Production and WASDE Report
- Thursday at 2:30 p.m. Central – Cotton On-Call