



**JUNE 2, 2023**

## **COTTON FUTURES ENDED WEEK ON HIGH NOTE**

- Outside Markets were Mixed most of the Week but Eventually Settled Higher
- U.S. Export Sales Basically Unchanged from Week Prior
- 60% of the U.S. Cotton Crop has Been Planted

Although it was a holiday shortened week in the market, cotton futures had another week of wide trading ranges that ended on a high note. July and December futures traded in a relatively tight range most of the week, before news about the U.S. House of Representatives passing a vote to raise the U.S. debt limit. Upon this news, futures prices went soaring. The market seemingly shrugged off the rain received throughout West Texas this week and instead focused on macroeconomic factors. Additionally,

data in from China and rumors of decreased production helped spur the rally in the U.S. market. For the week ending June 1, July futures settled at 86.42 cents per pound, up 630 points for the week. December futures settled at 81.58 cents per pound, up 308 points for the week, and settling right in the middle of the long-term trading range. Total open interest gained 4,795 contracts to 197,275 since last Thursday, reaching its highest level since late March.

## **Outside Markets**

U.S. stocks had another mixed week but eventually settled higher after the House passed a bill to prevent the U.S. from defaulting on its debt. Weaker than expected data from China showed a slowdown in manufacturing, indicting the country's economy is not faring as well as hoped. On the domestic front, markets found support late in the week from the U.S. ISM prices paid index, which reported a contraction to 44.2, the weakest level in 5-months. U.S. initial jobless claims are still at a low level, with 232,000 filed, lower than market expectations for the week. Despite the strong jobs data, the market latched onto the lower ISM price data and a likely pause in interest rates at the next FOMC meeting. There was buzz early in the week that the Fed would raise interest rates at its meeting on June 13 and 14. The worries weighed on markets, keeping them mixed, but economic data released later in the week showed it to be more disinflationary than anything. The U.S. Dollar made steady gains most of the week but pulled back after the rally in stocks.

## **Export Sales**

For the week ending May 25, U.S. Export Sales were up substantially from the week prior. A net total of 267,800 Upland bales were sold for the 2022/23 crop. The biggest buyer for the

week was China, with a massive 221,700 bales purchased. This was followed by Turkey with 20,800 bales, Vietnam with 13,700 bales, Bangladesh with 5,300 bales, and Indonesia with 3,800 bales. Net sales of 76,600 bales were sold of the 2023/24 crop. Although this is basically unchanged from the previous week, it is lower than what is typically sold during this time of the marketing year. Pima sales were up slightly, with a net total of 3,700 bales sold. Shipments for Pima reached a marketing year high with a total of 26,700 bales exported for the week.

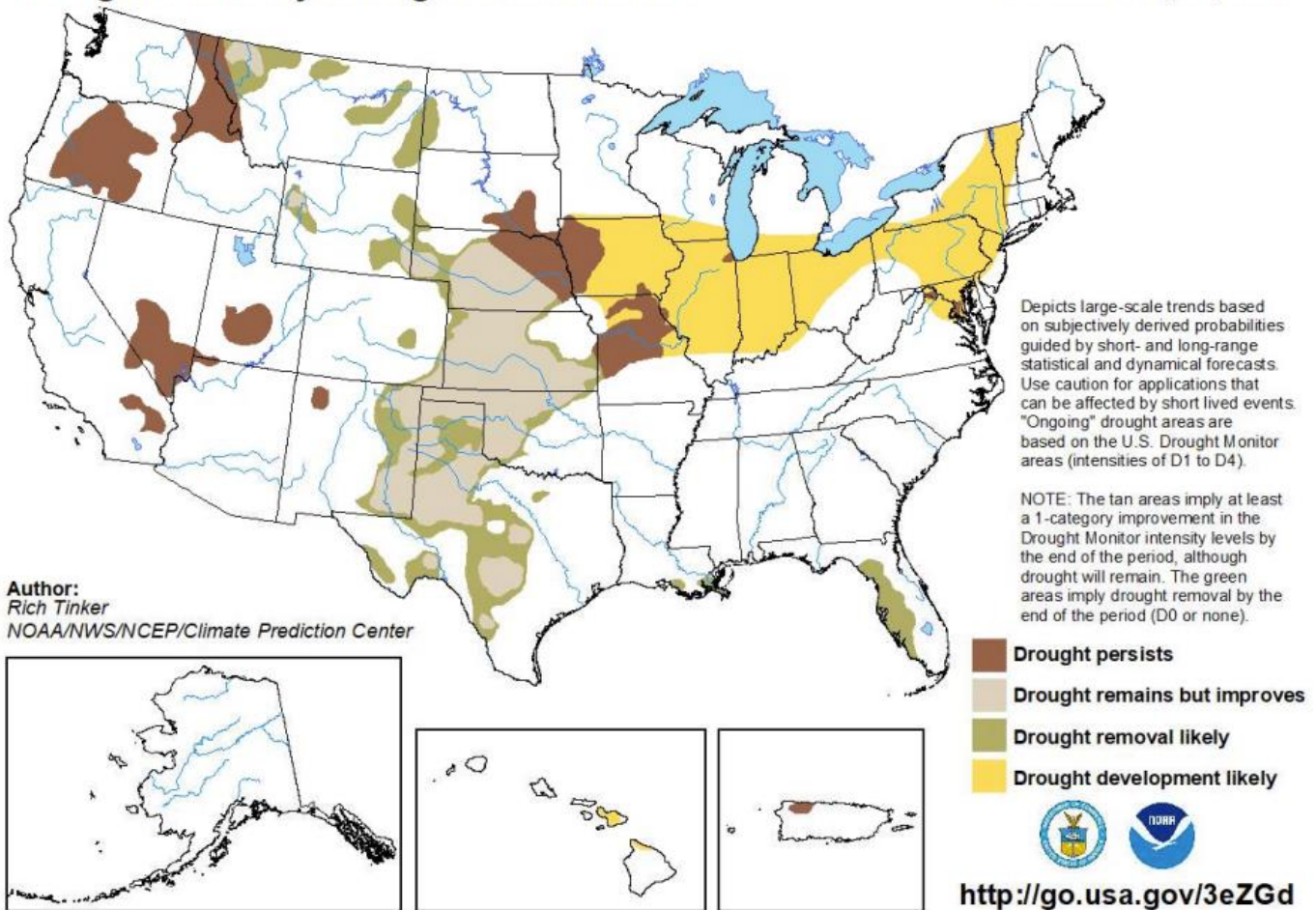
## **Weather and Crop Progress**

As of last Sunday, USDA reported that 60% of the cotton crop had been planted. In the Southwest, Texas is the only state lagging from normal place. So far, 50% of the crop has been planted in the state, which is slightly below the five-year average of 54%. Three percent of the crop in the U.S. is currently squaring, slightly behind the five-year average of 6%. The initial cotton condition report rated 38% of the crop in the U.S. as “Fair”, 41% as “Good”, and 7% as “Excellent”. Stormy weather has moved through West Texas the past week, along with cooler temperatures, and more is in the forecast. The moisture is welcome, and we would rather have rain than drought, but planting in the area will be impacted because of the current conditions. South Texas has had sunny, warmer weather intermingled with scattered storms. The weather has been welcomed and will help push uniform crop development.

# U.S. Monthly Drought Outlook

## Drought Tendency During the Valid Period

Valid for June 2023  
Released May 31, 2023



## The Week Ahead

While weather, export sales, and crop progress will get plenty of attention, the focus next week will be on the release of the World Agricultural Supply and Demand Estimates (WASDE) report. Additionally, the GSCI Index roll begins next Wednesday, and traders will be focused on how those flows will impact the market.

- 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
- Friday at 11:00 a.m. Central – WASDE Report