



**MARCH 24, 2023**

## **COTTON FUTURES STRUGGLED TO FIND SUPPORT**

- Financial Markets Had Another Volatile Week
- Cotton Market Shrugged Off Strong Export Sales Report
- No Substantial Moisture in the Forecast for West Texas

Cotton futures struggled to find support this week while outside markets continued to weigh on prices. May futures dropped below 80.00 cents per pound last week and were unsuccessful when trying to break out of the upper-70s trading range at present. Futures failed to be moved by anything fundamental and followed the volatile outside market. Despite a strong Export Sales Report, May futures closed at 77.58 cents per pound for the week ending March 23, down 158 points from the week prior.

Total open interest reached the highest level since early February, increasing 6,415 contracts to finish at 197,090.

## **Outside Markets**

Financial and commodity markets have witnessed a volatile month and this week was no exception to the sharp moves. The Federal Open Market Committee met this week and the rate hikes continued. As expected, interest rates were increased 25 basis points. The comments after, however, had the Fed keeping a hawkish stance where continuing rate hikes are concerned, with the target interest rate now being 5%. The Fed will be making rate decisions meeting by meeting in the coming months, with cuts not expected before the end of the year. The turmoil in the banking industry did have the Fed considering a pause in rate hikes, but the recently strong economic data prevailed and prompted the increase. Strong economic data is still being reported each week. Initial unemployment claims fell to 191,000, showing continued strength in the labor market. U.S. existing home sales surged unexpectedly in February, jumping 14.5% for the month, but still down compared to the same time last year. Equities had a rollercoaster week but recovered some losses to finish higher after Wednesday's drop. The U.S. dollar struggled this week, hitting a 6-week low at one point, before recovering to finish the week. The weaker dollar helped boost commodities early on before the improvement at the end of the week added pressure.

## **Export Sales**

Despite the volatile market conditions seen in previous weeks, demand for cotton was healthy for the week ending March 16. The market, however, seemed to reject the strong report for the second week in a row. U.S. shippers sold a net 310,200 Upland

bales for the 2022/23 marketing year and 21,300 for the 2023/24 season. Sales to a variety of countries were made and the biggest buyer for the week was Vietnam, purchasing 115,300 bales. China was close behind, booking 95,900 bales, followed by Turkey with 25,100 bales, and Pakistan with 15,700 bales. Shipments are slightly above the weekly pace needed to reach USDA's export target, with 272,500 bales of cotton shipped. Pima sales showed substantial improvement with a net total 16,900 bales reported, reaching a marketing year high. Shipments were also up, with a total of 7,100 bales exported for the week.

## **Weather and New Crop Outlook**

As reported last week, little has changed where drought is concerned throughout parts of Texas, Oklahoma, and Kansas. Temperatures will continue to fluctuate between above average and cooler, with no substantial moisture in the forecast. Rain is needed across West Texas in the coming weeks to ease the droughty soils to prepare for the upcoming season. Planting is progressing steadily across South Texas. Unlike West Texas, South Texas has received a little rain in the past week, which paused planting in some areas. Warm weather will be welcome, but more moisture will also be needed now that planting is underway.

## **The Week Ahead**

Next week another focus point for traders will be the Prospective Planting report from the USDA on Friday March 31st. The report is essential because it will be used by USDA to forecast production for the May and June WASDE reports. Other than that, monitoring of the Export Sales Report and outside markets will continue as usual.

- Friday at 2:30 p.m. Central – Commitments of Traders
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton On-Call
- Friday (March 31) at 11:00 a.m. Central – USDA Prospective Plantings