



APRIL 21, 2023

COTTON FUTURES FELL SHARPLY TO LOWER END OF LONG-TERM TRADING RANGE

- Outside Markets Had Mixed Week
- U.S. Export Sales Lower Than Expected for Week Ending April 13
- Chance of Rainfall in Coming Week for Texas, Oklahoma, and Kansas

The cotton market had a rollercoaster week, hitting highs not seen in over a month before reversing to finish in the lower end of the 5-month trading range. Macroeconomic news seems to be the main culprit of the major fluctuations seen in the futures market this week. Good economic news from China helped spur demand and increase prices before weak export sales put

pressure on prices. For the week ending April 20, May futures closed at 79.24 cents per pound, a sharp decrease of 411 points compared to the week prior. July futures settled at 80.09 cents per pound, down 310 points for the week. Market participation remains low, and total open interest fell 16,636 contracts to finish at 165,234. This is the lowest level seen since June 2020.

Outside Markets

Outside markets had a mixed week with the release of economic news, first-quarter bank earnings, and global economic data. On Friday, U.S. Retail Sales for March were released and showed weaker than expected sales, with a 1.0% decrease when compared to the month prior. Equities faced added pressure after the Fed said monetary policy needs to be tightened further. China's Gross Domestic Product rose higher than expected to 4.5% year-over-year, an optimistic outlook for global economic growth. This was an overall boost for equities and commodities on Tuesday. The Dollar struggled to find footing this week, coming off an 11-month low from the weak economic data. Much like cotton, crude prices were also weaker from bearish economic news. Finally, U.S. initial jobless claims increased to 245,000, which is a relatively low level, but means the labor market is starting to lose its strength. The Federal Open Market Committee (FOMC) meets again on May 2 and 3, and many expect one more 25-basis-point interest rate hike at that time.

Export Sales

U.S. Export Sales were lower than anticipated for the week ending April 13, putting added pressure to an already lackluster market. Net sales were down compared to recent weeks, with a net total of 62,100 Upland bales booked for the current crop year and 38,000 bales booked for the 2023/24 crop year. The biggest

buyer for the week was Bangladesh, with 27,700 bales purchased, followed by Pakistan with 18,200 bales, China with 9,500 bales, Vietnam with 5,900 bales, and Indonesia with 4,600 bales. While sales were weak, exports continued to stay on pace to reach the current USDA export estimate of 12.2 million bales. A total of 289,800 bales were shipped for the week, which is slightly above the average needed to reach the export estimate. Pima had another week of good sales and reached a marketing year high for shipments. A net total of 25,200 Pima bales were sold for the week and 16,800 bales were shipped.

Weather and Crop Progress

Weather is becoming increasingly more important as planting decisions are starting to be made. Although this week did not bring along much precipitation, weather models are predicting a better chance of rainfall throughout Texas, Oklahoma, and Kansas in the coming week. South Texas received precipitation over the past week, helping dry conditions and enhancing crop development. This week's Crop Progress report showed that planting is on schedule in Texas, with 13% of the expected acreage now planted, which is right in line with the five-year average of 14%.

The Week Ahead

As the May contract is all but done, cotton trading should revert to the usual focal points. There are no major reports coming out next week, but with weather and planting progress in the back of traders' minds, daily forecasts and the Crop Progress report are becoming more important. Additionally, the Export Sales Report and economic news will continue to be a central focus.

- Friday at 2:30 p.m. Central – Commitments of Traders

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