



DECEMBER 22, 2023

MARCH FUTURES SETTLED BELOW THE 80.00 CENT PER POUND MARK FOR THE WEEK

- Stock Market Continues Rally
- Noticeable Increase in U.S. Export Sales and Shipments Did Little to Help Market

March futures dipped back below the 80.00 cent per pound mark last Friday and stayed below that level for the rest of the trading week. A lack of news on the cotton front kept prices trading on both sides of the market, with Tuesday being the only day prices settled to the upside. Technical stops were triggered, and questions of demand continued the bearish tone in the market this week. Despite one of the better Export Sales Reports of the season, cotton prices continued to decline on Thursday. For the

week ending December 21, March futures settled at 79.13 cents per pound, down 168 points from the week prior. Certificated stocks are now at 3,267 bales, meaning 1,874 bales were decertificated this past week. Daily volumes were light and total open interest continues to remain stable, decreasing 354 contracts to 196,442.

Outside Markets

There was not much to report in outside markets this week, which is indicative of the holiday season. The rally in the stock market paused briefly on Wednesday, and indexes suffered their worst daily loss in months. The loss did not continue, and the market rebounded to continue its upward tear to finish the week higher. Third quarter Gross Domestic Product (GDP) was revised down from a 5.2% annualized increase to 4.9%. The decline was more than what was expected but still the fastest pace of expansion in two years. After last week's FOMC meeting, this week's data reporting slower economic growth adds confidence that the Fed will be able to cut interest rates in 2024. The combination of weaker economic news and stock strength has put the U.S. Dollar under pressure the past couple of weeks. Cotton has not been the only commodity struggling recently. Geopolitical tensions in the Middle East and supply worries allowed Crude Oil prices to recover some of the recent losses.

Export Sales

One of the better Export Sales Reports for the year did little to help boost the market on Thursday. The week ending December 14 reported new net sales of 146,700 Upland bales, up noticeably from the week prior. The biggest buyer for the week was China, booking 68,400 bales, followed by Vietnam with

45,100 Upland bales, South Korea with 19,600 bales, Guatemala with 9,600 bales, and Bangladesh with 7,500 bales. Cancellations were not as prevalent on this week's report, but reductions of 18,900 bales were still reported. After months of subdued shipments, a marketing year high of 222,300 bales were exported for the week. Although still behind the pace needed to reach USDA's export estimate, the bales shipped this week were on the higher end of what is typically exported at this point in the year. A net total of 5,300 Pima bales were sold and 5,500 bales were shipped.

The Week Ahead

With news expected to be light where cotton fundamentals are concerned, outside markets will be a key watchpoint in the coming week. The weekly Export Sales Report will continue to be monitored by traders, but the outlook where demand is concerned remains the same. Rainfall has been received recently and precipitation is forecast in areas across the Southwest in the coming days, but it appears that El Nino may be more modest than initially hoped. As a reminder, next week will be a shortened trade week as we celebrate the Christmas holiday. The shorter week means the Export Sales Report will be delayed until Friday, December 29.

We wish all our readers a Merry Christmas!

- Friday at 2:30 p.m. Central – Commitments of Traders
- Thursday at 2:30 p.m. Central – Cotton On-Call
- Friday at 7:30 a.m. Central – Export Sales Report