

# WEEKLY MARKET REPORT

WEEK ENDING OCTOBER 2



Writing this prior to Friday's close, I'm thinking it shouldn't matter much since trading has been sideways for weeks. However, we awoke this morning with news the President and First Lady have tested positive for COVID-19. Unsurprisingly, this has shaken all markets from the financials to the commodities. At this early hour, cotton has already dropped 90 points. Hopefully, the market's steadfast resilience in the face of uncertainty will continue. As an example, going back to August 24, the December contract has closed within the 65 to 66 cent range 19 of the 29 trading sessions with the outliers only a few points shy. This certainly indicates support at the current level. But nevertheless, the lack of any price momentum creates a sense of uneasiness especially with the price pressures associated with harvest. Thus, we must adhere to the words of the wise "patience is a virtue".

The age-old adage a short crop gets shorter is proving to be true. In last week's crop conditions report, cotton rated good to excellent fell to 43 percent. Out of the 15 reporting states, 11 saw declines in this category. Understandably, the biggest of these were seen in Alabama, Louisiana, and Virginia falling 16, 11, and 25 percent, respectively. A key point to ponder, however, is where it fell from. The outstanding yields being reported from early harvest activity suggest the crop may have had greater potential than previously thought. Market participants will be paying close attention to next Friday's USDA report for possible changes to production and export numbers.

Export sales for the week were much improved from those of the previous week. New crop sales of 233,800 bales surpassed the four-week average by seven percent. More importantly, someone other than China was the primary buyer. Turkey purchased 62,500 bales with China, Vietnam, Mexico, and Indonesia close behind. Shipments were down slightly at 288,990 bales but not unusual for this time of year. Keep in mind with 45 weeks remaining in the marketing year, weekly sales need to average 166,300 while shipments need to average almost 260,000 bales to meet the USDA export estimate of 14.6 million bales.

These sales hint to a possible rise in cotton demand. Though possible, significant improvement will be dependent on our economic recovery. As for this, no doubt we are well ahead of the pace many thought possible when the pandemic began. But the prolonged hold the virus has on our everyday day lives is slowing progress. Consumer spending which accounts for 70 percent of the U.S. economy and much needed for cotton sales increased in August at a much slower pace of only one percent. This is directly attributable to a decline in household income which fell 2.7 percent in August as stimulus money expired. It's becoming less likely another stimulus package will be passed, especially considering August's drop in unemployment to 7.9 percent. In the absence of additional government aid, economic recovery could be hindered as personal income and consumer spending will be pressured.

Where to from here? With harvest just underway we don't yet have a good feel for yield and quality. As everyone is aware, fiber quality is very important when it comes to marketing, even more so this year with so little cotton forward contracted. Merchants will be searching for higher qualities thus apt to strengthen the basis to get it. If so, the upper sixties don't seem so bad when combining a positive basis and possible LDP or POP especially when considering today's tumultuous environment. One other note, last year many experienced first-hand the risks in holding cotton. To best manage this market risk, one must carefully weigh all available marketing alternatives, from cash sales and options to the use of the marketing loan program. We at Choice Cotton provide services to assist with this and would welcome the opportunity to discuss them with you. Give us a call us at 334-365-3369.

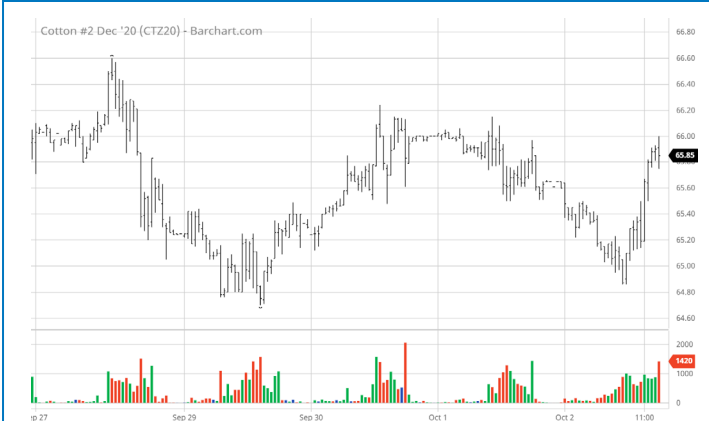
## AWP + LDP

- AWP = 50.67
- LDP for Fri., Oct. 2 - Thurs., Oct. 8 is 1.33¢
- Current PLC seed cotton payment estimate 6.38¢

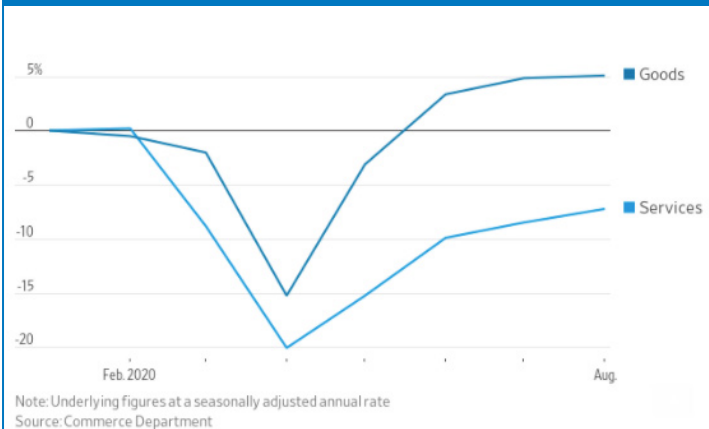
## COTTON CROP CONDITIONS

	VERY POOR TO POOR	GOOD TO EXCELLENT
<b>CURRENT</b>	24%	43%
<b>PREVIOUS WEEK</b>	27%	45%
<b>PREVIOUS YEAR</b>	20%	40%

## DECEMBER 2020 FUTURES



## PERSONAL SPENDING CHANGE SINCE THE START OF THE YEAR



## THE WEEK AHEAD

- October 5, 3:00 p.m.** - Crop Conditions Report
- October 8, 7:30 a.m.** - Export Sales
- October 8, 7:30 a.m.** - Jobless Claims Report
- October 9, 3:00 p.m.** - COT Report
- October 9, 11:00 a.m.** - WASDE Report