

WEEKLY MARKET REPORT

WEEK ENDING SEPTEMBER 11



For weeks, like a prize fighter with a cast iron jaw, the cotton market has taken punch after punch but been able to come off the ropes swinging. Since April, every two or three cent gain has been followed by a one or one and a half cent decline. This series of higher highs and higher lows have resulted in a 15-cent advance to date. The question now becomes how much stamina our boxer has left. After reaching its most recent high of 66.45 in August, can it come off the ropes once again at 65 cents to make a new high in the upper 60's?

In last week's trading, several punches were thrown but in true rope a dope fashion, it held its own closing at 64.81, a loss of only 18 points on the week. First, the equity markets suffered another single day triple digit loss bringing commodities down with it. In addition, the European Union banned all textile imports from the Xinjiang Province of China where mills are suspected of using slave labor. The U.S. Customs Department was said to do the same though no official announcement was handed down by the Administration. This, along with other political tensions, instilled a fear the Phase One trade agreement could be in jeopardy.

Through all this posturing, it was known the true test of stamina would come on Friday with the release of two very important reports, weekly export sales and September's USDA Supply Demand estimates. Fortunately, both were supportive of the market with net sales of 126,700 bales and shipments of 230,500 bales, the majority of which was to China. The biggest positive takeaway from the report was the lack of cancellations. After last month's shocking Supply Demand report, it was hoped Friday's USDA numbers would be more realistic and in line with trade thinking. Fortunately, they were as U.S. production was lowered by one million bales to 17.1 million. More importantly, though mill use, and exports were reduced slightly, ending stocks declined to 7.2 million bales. Globally, the same was true with ending stocks declining to 103.8 million bales, which was one million bales lower than last month.

Though these numbers weren't limit up bullish, they certainly were supportive enough to keep the Funds content in their long position. This is very important as the accompanying chart illustrates. Cotton futures tend to move in tandem with the Funds market sentiment. Obviously, prices advance as they take on long positions. After increasing their net long position for five weeks in a row, the latest Commitment of Traders report showed them shorting the market by 676,000 bales. It's no surprise that in the five weeks they were adding 2.8 million bales to their long position the market went from 61.11 to 65.40 while the week they went short 676,000 bales, the market dropped 150 points to 64.02. On the other side, the trade went longer by 1.2 million bales. This was the biggest move by the trade in the long direction since last March. Ironically, this was when weekly export sales were 350,000 to 400,000 bales. This could be an indication that sales are being made, which will be reflected in future weekly export sales reports.

Where do we go from here? First, our attention will be on the Tropics this week. Tropical Storm Sally is making its way toward the Mobile Bay area with landfall expected on Tuesday. Heavy rains would be disastrous to the crop at this time. A closer look and no less than four other storm systems can be found in the Atlantic. We will certainly be watching over our shoulder in the weeks ahead. This weather influence added with today's political and economic uncertainties make gauging the market's depth incredibly difficult. However, there is growing indication that demand is on the verge of recovery. Though short term, the market will have to deal with some harvest pressure, but long term, there is growing bullish optimism.

AWP + LDP

- AWP = 49.77
- LDP for Fri., Sept. 11 - Thurs., Sept. 17 is 2.23¢
- Current PLC seed cotton payment estimate 6.38¢

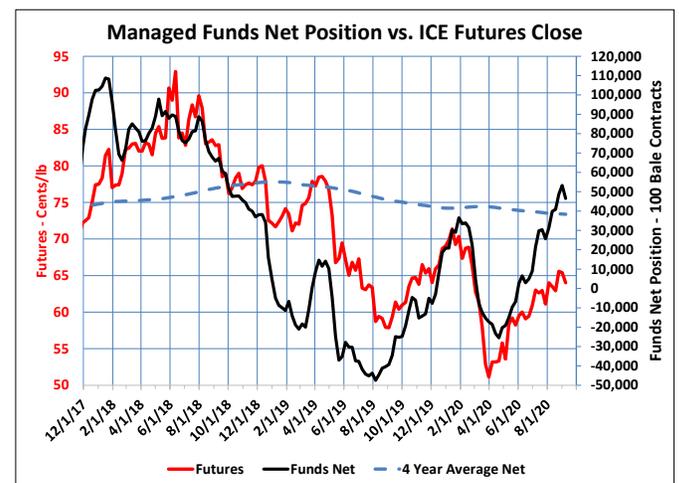
COTTON CROP CONDITIONS

	VERY POOR TO POOR	GOOD TO EXCELLENT
CURRENT	27%	45%
PREVIOUS WEEK	28%	44%
PREVIOUS YEAR	18%	43%

DECEMBER 2020 FUTURES



MANAGED FUNDS NET POSITION V. ICE FUTURES CLOSE



THE WEEK AHEAD

- September 14, 3:00 p.m.** - Crop Conditions Report
- September 17, 7:30 a.m.** - Export Sales
- September 17, 7:30 a.m.** - Jobless Claims Report
- September 18, 3:00 p.m.** - COT Report