

WEEKLY MARKET REPORT

March 11th, 2024

NEW YORK COTTON FUTURES

With March cotton officially out of the market, expiring at 99.14 cents/lb, the May contract was extremely volatile all last week, filling the expiration gap.

We saw a weekly close low at 93.96 last Tuesday, followed by a “limit up” at 99.28 on Thursday, then ending the week on Friday with a “limit down” at 95.28 cents/lb.

NEW YORK COTTON STOCK EXCHANGE - March 8th, 2024 settlement - MAY 2024 position



The USDA surprisingly reduced the 2023/2024 crop yield by another 23 pounds per acre to 822. This production cut caused ending stocks to decrease by 300,000 bales to 2.5 million and are now at lowest since 2012/13.

Global consumption increased by 480,000 bales to 112.94 million bales.

The global balance has also tightened. Global ending inventories decreased by 360,000 bales to 83.34 million bales.

However, sales are poor, in fact, the USDA reported that only 52,000 bales of cotton were sold for export during the week ending 02/29. That's up from last week's low, but still 100,000 bales less than the 4-week average.

Bangladesh was the largest buyer, with a total of 34,300 bales booked.

A notable aspect of the report was the cancellation of 60,000 bales, mainly from China and Pakistan.

Exports for the week were 331,000 bales.

ECONOMICS AND FINANCE

In **EUROPE**, ECB President Christine Lagarde has decided to leave the rates on main refinancing operations, marginal refinancing operations and deposits at the central bank unchanged at 4.50%, 4.75% and 4.00%, after the last monetary tightening which dates to the September 2023 meeting.

The economy is weak, although it manages to avoid recession. In the first quarter of 2024 the Eurozone GDP should be equal to +0.1%, while for the whole year the ECB estimates stand at +0.6%, therefore a downward revision, given that the previous estimates they were +0.8%. However, there is the possibility of an interest rate cut in June, but something will be known at the next ECB meeting in April.

In the **USA**, FED Chairman Jerome Powell said before Congress last week that he had gained greater confidence that inflation was moving in a sustainable direction. Although no interest rate reduction has yet been defined, but the possibility of a cut in June is looming.

The Department of Labor reported that 275,000 jobs were created in February, a sign that the job market remains strong.

However, the US unemployment rate increased slightly by 0.2% to 3.9% but remains historically low.

In **ITALY** in January 2024 the producer prices of the Italian industry fell by 1.7% monthly and by 10.7% on an annual basis.

Worthy of note is the "spread" differential between 10-year BTP and BUND which ended the session on the electronic markets at 130.9 basis points after falling below 130 on the lowest levels since January 2022.

In **TURKEY**, inflation in February reached 67.1% per year, from 64.9% in January. It is the highest in the last 15 months. Expectations were 66%.

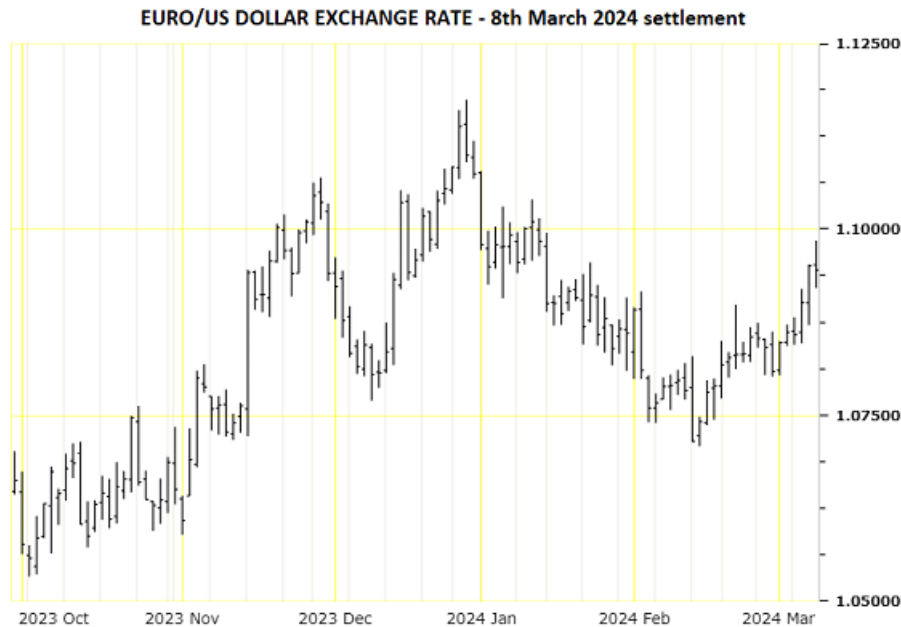
In **CHINA**, based on data from the National Statistics Office, consumer prices recorded an annual increase of 0.7% in February, above estimates of +0.3% and a slowdown of -0.8% of January. This is the first increase after four months in a row of contraction, equal to the longest negative streak since October 2009.

Producer prices, however, confirmed the sharp downward trend: -2.7% per year, worse than the 2.5% expected and the 2.5% in January, bringing the negative streak to 17 consecutive months.

EURO/US DOLLAR EXCHANGE RATE

The dollar weakened against the euro after US data for February showed an acceleration in job growth but a rise in the unemployment rate and moderation in wages.

On Thursday 7 March the Euro/Dollar exchange rate (EUR/USD) made a further recovery and reached close to 1.095.



The short-term technical structure is therefore improving, and a further rebound will still have to face a first obstacle at 1.097 and a second barrier in the 1.10 area.

ENERGY

The price of **NATURAL GAS** rises and the TTF on the Amsterdam market closes the week at 26.58 euros per MWh.

Gas stocks in Europe remain above 60% (61.3% at 699.55 TWh), suggesting an end to the cold season with stocks above 50%. They are at 56.8% in Italy, with 111.88 TWh of inventories, while Germany is at 67.67% at 172.43 TWh.

The weekly closing shows a stability of the **CRUDE OIL** but with the possibility of an extension in the next one as the trend remains bullish.

BRENT in London closed at USD 82.05 per barrel

WTI in New York closed at USD 77.85 per barrel

RED SEA CRISIS

The "defensive" operation accompanying the ships in the Red Sea, protecting them from Houthi attacks, however according to a report from the United Nations Conference on Trade and Development, due to tensions in the Middle East, in the last two months trade volume through the Suez Canal fell by 42%.

30% of global container traffic passes through the Suez Canal, with an annual value of around one trillion dollars.

It must be said, however, that, according to the findings of the Drewry Container Index, the average rates for shipping a 40' box have dropped and for the Shanghai – Genoa route, whose freight rates have fallen by 6% and now stand at 4,449 dollars last week and will continue to drop in the next.

FIBER AND YARN PRICES

In **INDIA** cotton yarn prices have increased further in the last week, after cotton fiber prices increased significantly.

In **CHINA** cotton fiber and yarn prices held firm last week.

In **PAKISTAN** yarn prices are stable and remain at a high level following the increase in raw material.

INDICATIONS

As a "broker" who operated on the New York cotton exchange, this is a service that I give to my Italian clients to serve and inform them in the best possible way.

The text was translated with GOOGLE TRANSLATE, therefore the translation may not give a perfect meaning.