Because buying and selling in the market is the business of both parties, the price needs to be agreed upon by both parties, and there is a large group of people behind each pair of traders, who interact with each other to form the overall demand and supply, and have an important influence on the formation of price. So the market price has to be determined by both supply and demand, and changes because of changes in supply and demand.

There are many factors affecting demand, such as consumer income, preferences, and willingness to substitute one product for another are among the most important determinants of demand. With the increase in interest rates and general recession fears, inflation, etc, people are more likely to spend money on the necessary items instead of clothing, luxury goods, etc. Therefore, the demand for clothing decreases. Because cotton is one of the most important raw materials for clothing, the demand for cotton reduces. There is a fundamental economic principle that when supply exceeds demand for a good or service, prices fall. When the demand for cotton reduces and the supply for cotton remains unchanged, the price of cotton is cut down.

On the other way, the supply of cotton is decreasing because of the extreme weather. For example, the U.S cotton crop has been influenced by the dry weather and the production will be reduced in Pakistan because of severe flooding. When the supply decreases, the gap between supply and demand will narrow, which could turn cotton prices around. However, because buyers have finite resources, their spending on a given product or commodity is limited as well, so higher prices reduce the quantity demanded. The price will not be retained at a high level.

At all, the price of cotton would not decrease all the time and it will settle in an equilibrium price finally.