

## Domestic Fundamentals:

### **Market Outlook:**

*Demand for cotton is likely to remain robust in the coming months, both in domestic and international markets. This along with minimum support price hike is likely to keep cotton prices firm. Also, China is expected to purchase large quantities of cotton from India, replacing US as its largest source of cotton which is expected to keep the prices into next season supported.*

**In the News: Cotton October prices were slightly up in afternoon trade Wednesday on the Multi-Commodity Exchange (MCX) on emergence of some demand** after Cotton Association of India (CAI) projected a decline in output in its first cotton estimate. CAI trimmed cotton crop estimates for 2018-19 season to 34.8 million bales from 36.5 million bales in 2017-18. Cotton sowing was reported at 12.06 million hectares for 2018-19 compared to 12.17 million hectare last year, according to Central government data.

**CCI has geared up for large-scale MSP operations across the country as the Centre announced an MSP increase of 26-28 per cent for the fibre crop over last year.** For the long staple variety, MSP has been increased by 26.16 per cent to ₹5,450 per quintal, while for the medium staple, MSP hike has been 28 per cent to ₹5,150 per quintal. CCI have already opened 330 centres and if required, may go up to 390 said P Alli Rani, Chairman and ND, CCI. Though CCI has opened 330 procurement centres across key growing states since October 1, purchases at support price have not begun so far due to the higher moisture content of over 12 per cent in cotton offered to CCI. Last year, CCI had procured less than four lakh bales under MSP operations, since the market prices rose quickly and went above MSP rates. This year since MSP rates are much higher, the probability of higher volumes being purchased under MSP is high

**Cotton arrivals started picking up in the Telangana market yards. The State government has set the stage to commence the procurement operations in all 31 districts from today.** Cotton purchase centres would be opened at 269 ginning mills. In addition to this, another 11 centres would be opened by the Marketing Department, according to the Marketing Department Director Lakshmi Bai.

**Market arrivals in small quantities have begun across the key producing States of Punjab, Rajasthan, Gujarat, Telangana, Maharashtra and Karnataka.** Trade sources estimated the cotton arrivals at around 40,000-50,000 bales of 170 kg each. Prices are hovering between Rs 5,200-5,600 per quintal across various markets, depending on the moisture content. Millers and ginneries are yet to start purchases as the moisture content is still high.

**Gujarat's Shankar-6 is being sold on higher rate than MH cotton by near Rs1000/candy. Reason behind it is the Gujarat Govt's support to spinning and textile mills development in state providing subsidy and cheap electricity.** So, Gujarat mills consume 85 lakh bales yearly leading to hassle free sales and more rate. According to trade sources, cotton crop in Gujarat is expecting a big drop in production due to dry weather. Gujarat, the country's top cotton producing state, received 28 percent lower rainfall than normal in the June-September monsoon season, according to the India Metrological Department.

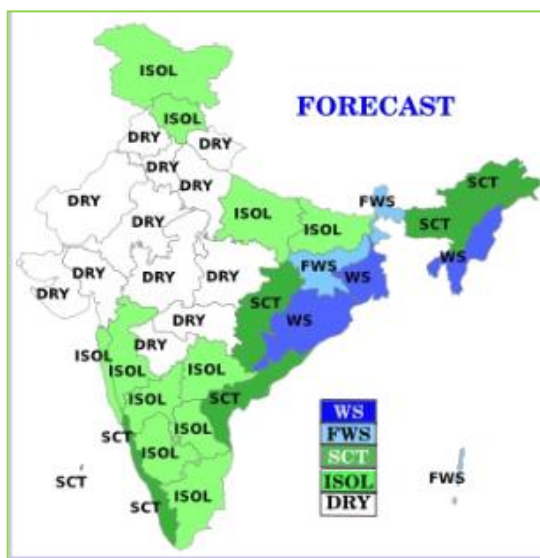
**India will have a good opportunity in the international market but with tightness in balance sheet the crop year will be challenging for exports.** Also, packing of bales and contamination in Cotton Bales still remain major setback for exports. Cotton Futures will further get a boost with BSE launching its contracts in near future and hedging the risk in cotton trading will become the need of the hour.

**All India daily arrivals reported around 35-38000 bales (170 kg each).** Weather expected to be normal across most of the cotton growing regions which will support harvesting in central India. Indian rupee further depreciated against USD and hit fresh record low level around 73.75 during the week.

**Cotton plucking started in major belts of Khandesh and few stations of lower M.Wada Bowls of early and late sowing also are opening fast due to present good heat.** New crop slow arrivals started in MH will pick up soon in Khandesh & heard one or two centres of Vidarbha. The arrival of cotton in the region's markets is gradually picking up the pace as Punjab, Haryana, Rajasthan, AP and Telangana are registering the arrival of 12-15000 bales of cotton on a daily basis.

**Output of cotton in Haryana in the 2018-19 season is likely to rise 5% on year to 1.7 mln bales** (1 bale = 170 kg) because of higher yields, according to the state's first advance estimate. Cotton yields have increased to 432 kg per ha from 413 kg last year.

### Weather Update:



**11<sup>th</sup> Oct ♦** Heavy to very heavy rain at a few places with extremely heavy falls at isolated places very likely over Odisha; heavy to very heavy rain at isolated places over Gangetic West Bengal, Assam & Meghalaya, Manipur, Mizoram & Tripura and north Coastal Andhra Pradesh and heavy rain at isolated places over Sub Himalayan West Bengal & Sikkim and Tamil Nadu.

The Indian Meteorological Department (IMD) defines average, or normal, rainfall as between 96 percent and 104 percent of a 50-year average of 89 cm for the entire four-month season. The IMD adopted a so-called dynamic model, based on a US model tweaked for India, for the first time last year to improve the accuracy of its forecasts. The IMD had predicted that the June-September monsoon, crucial for a host of cash and food crops in India, will set to start receding from the northwest from Saturday onwards. The monsoon usually starts withdrawing in the first week of September, but this year it has been delayed by nearly four weeks,

Meanwhile, an extraordinarily dry spell in the month of September has meant an overall deficit of roughly nine percent in the Southwest Monsoon.

### International Fundamentals:

**NY futures continued to fall this week, as December dropped another 172 points to close at 76.00 cents/lb.** December continued to stair-step lower, as it was unable to hold last week's support at 7800 and is now trying to hang on to the 7600 level. With a few exceptions daily volume is still mostly below 20k contracts and open interest has remained relatively stable at 251k, which is about the same as it was in late August, when prices were at 82-83 cents.

**U.S. exporters struggle with a stronger dollar, cotton sales also have slowed. This week's Export Sales report showed just 70,300 bales of net new sales for 2018-19.** China cancelled 50,200 bales for 2018-19 and rebooked 56,400 for 2019-20. Vietnam accounted for nearly half of this week's net new sales at 34,700 bales of new orders. However, this does not necessarily mean that demand is gone.

**On September 28, the reserve sales of reserve cotton was 37110.3543 tons, the actual turnover was 20655.7506 tons, and the turnover rate was 55.66%. The average transaction price was 14,670 yuan/ton** (down 127 yuan/ton from the previous day); the price of 3128 was 15,933 yuan/ton (down 315 yuan/ton from the previous day ).From March 12 to September 28, the accumulated turnover of reserve cotton was 2,4848 thousand tons, and the turnover rate was 58.49%.

**The latest U.S. Department of Agriculture (USDA) estimates for 2018/19 indicate that world cotton production is projected at 122.0 million bales, 1 percent below the previous season.** While relative prices favored cotton plantings this season, the effects of weather on production are expected to be mixed. India, China, and the United States remain the largest cotton-producing countries.

**Uzbekistan has planned to stop the export of cotton fiber and to ensure its full processing in the domestic market by 2025**, RIA Novosti reported referring to Head of the Department of Strategic Forecasting of UzTekstilProm (Uzbek Textile Industry). According to her forecasts, in 2018, the industry will be able to process about 520,000 tons of cotton fiber with the current design capacity of 720,000 tons. Every year, the country produces about 3.5 million tons of raw cotton and 1-1.2 million tons of cotton fiber. About 50 percent of the produced cotton fiber is exported.

### NCDEX Kapas Futures\*: (Prices in Rs/20 kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-18(C1)	-0.21	1166	1169	1162	1163.5	1759	-43	4581	90

Spread	Oct 18(C1)		-	-	--	--
Spot	6		-	-	-	-
Oct-18			-	-	-	-

(NB: Spread Basis = Spot- Near Month Future)

\* Updated at as on 10 Oct 2018 @5pm

### MCX Cotton Futures\*: (Prices in Rs/170 kgs)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-18	0.04	22260	22390	22240	22300	367	-164	2785	-111
Nov-18	-0.09	22300	22410	22260	22320	303	-310	3453	-27

Spread	Oct 18		-	-	--	--
Spot	-20		-	-	-	-
Oct-18			-	-	-	-

(NB: Spread Basis = Spot- Near Month Future)

\* Updated at as on 10-Oct- 2018 @5pm

### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
	Centre	Variety	10-Oct-18	09-Oct-18	
Gujarat	Ahmedabad	Shankar-6	6000	6000	Unch
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	5875	5855	20
	Patan	B.T. Cotton	5825	5800	25
	Kadi	B.T. Cotton	5800	5700	100
	Deesa	B.T. Cotton	5250	5250	Unch
	Dhrol	B.T. Cotton	5755	5625	130
Punjab	Fazilika	B.T. Cotton	NR	NR	-

	Muktsar	B.T. Cotton	NR	NR	-
<b>Haryana</b>	Bhiwani	B.T. Cotton	5470	5450	20
	Bhiwani	Desi	5850	5900	-50
	Adampur	B.T. Cotton	5370	5325	45
	Fatehabad	B.T. Cotton	5370	5325	45
	Jind	B.T. Cotton	5530	5600	-70
	Uchana	B.T. Cotton	5525	5500	25
	Dabwali	B.T. Cotton	5285	5290	-5
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	5400	5450	-50
	Rawatsar	B.T. Cotton	5350	5330	20
<b>Madhya Pradesh</b>	Khandwa	Mech-1	5100	5100	Unch
	Khargaon	Mech-1	5520	5520	Unch
<b>Maharashtra</b>	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	NA	NA	-
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	6100	6100	Unch
	Hathras	Desi	4700	4700	Unch
<b>Telangana</b>	Adilabad	Un-Ginned	5450	5450	Unch
<b>Andhra Pradesh</b>	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
<b>Karnataka</b>	Bijapur	Bunny	NR	5751	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5641	5601	40
<b>Commodity</b>	<b>Lint</b>		<b>Prices (Rs./Maund)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>10-Oct-18</b>	<b>09-Oct-18</b>	
<b>Punjab</b>	Bhatinda	J-34	4525	4500	25
	Abohar	J-34	4515	4500	15
	Mansa	J-34	4510	4475	35
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
<b>Haryana</b>	Sirsa	J-34	4540	4510	30
<b>Rajasthan</b>	Sri-Ganganagar	J-34	4183	4230	-47

**Cotton Arrivals in Key Centers:**

<b>Commodity</b>	<b>Kapas</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>10-Oct-18</b>	<b>09-Oct-18</b>	
<b>Gujarat</b>	Ahmedabad	Shankar-6	11900	11900	Unch
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	4000	1220	2780
	Patan	B.T. Cotton	5749	8335	-2586
	Kadi	B.T. Cotton	5000	4000	1000
	Deesa	B.T. Cotton	5	8	-2.5

	Dhrol	B.T. Cotton	111	135	-24
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	15000	12000	3000
	Bhiwani	Desi	150	150	Unch
	Adampur	B.T. Cotton	8500	10200	-1700
	Fatehabad	B.T. Cotton	800	1000	-200
	Jind	B.T. Cotton	330	175	155
	Uchana	B.T. Cotton	1250	1485	-235
	Dabwali	B.T. Cotton	1850	2200	-350
Rajasthan	Hanumangarh	B.T. Cotton	5000	2500	2500
	Rawatsar	B.T. Cotton	2000	4500	-2500
Madhya Pradesh	Khandwa	Mech-1	440	1200	-760
	Khargaon	Mech-1	89950	79150	10800
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	85	85	Unch
	Hathras	Desi	30	30	Unch
Telangana	Adilabad	Un-Ginned	NA	NA	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NR	340	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	322	367	-45
<b>Commodity</b>	<b>Lint</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>10-Oct-18</b>	<b>09-Oct-18</b>	
Punjab	Bhatinda	J-34	10200	10200	Unch
	Abohar	J-34	2550	2550	Unch
	Mansa	J-34	850	1020	-170
Haryana	Sirsa	J-34	2040	1700	340
Rajasthan	Sri-Ganganagar	J-34	800	700	100

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				09-Oct-18	08-Oct-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	NR	NR	-
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	NR	NR	-
J-34(202)	26mm	3.5 - 4.9	23	NR	NR	-
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	NR	NR	-

Shankar-6(105)	29mm	3.5 – 4.9	28	NR	NR	-
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	NR	NR	-
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	NR	NR	-
DCH-32(107)	34mm	3.0 - 3.8	33	NR	NR	-

Refined Cottonseeds oil (10 KG)				
Centre	Unit	Price		Change
		10-Oct-18	09-Oct-18	
Rajkot	Rs. /10 Kg.	760	760	Unch
New Delhi	Rs. /10 Kg.	740	740	Unch
Hyderabad	Rs. /10 Kg.	775	775	Unch
Mumbai	Rs. /10 Kg.	785	785	Unch
Cotton seed oil cake Rs/Qtl				
Centre	Unit	Price		Change
		10-Oct-18	09-Oct-18	
Mahesana (Kadi)	Rs./Qtl	1907	1911	-4
Akola	Rs./Qtl	1735	1729	6

### INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 10-Oct-2018		
Index	RMB/Ton	Change
CCIndex(328)	16045	-27
CCIndex(527)	14978	-27
CCIndex(229)	16783	-40
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 10-Oct-2018		
Index	Cents/lb	Change
FC Index (S)	92.19	-0.5
FC Index (M)	88.5	-0.51
FC Index (L)	87.2	-0.5

Cotlook Index: As on 9-Oct-2018		
Cotlook Indices	Cents/Pound	Change
A-Index	86.85	1.45

USDA-8.10.2018

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	76.76	79.01	0
North Delta	75.76	77.51	0
South Delta	75.76	77.51	0
East TX-OK	71.51	74.01	921
West Texas	71.01	73.51	133
Desert SW	71.26	75.26	0
SJ Valley	71.76	80.66	0

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per Tex and uniformity 80.5 to 81.4

Pakistan Cotton Spot rates: As on 10-Oct-2018				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	8000	8150	160	8310
Equivalent	8574	8734	171	8905

Daily Futures Price Listing Tue October 09, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">Oct-18</a>	181009	77.4	77.4	77.4	77.4	-0.54	0	22	0
<a href="#">Dec-18</a>	181009	77.5	77.89	76.2	77.01	-0.54	12,078	1,35,912	-522
<a href="#">Mar-19</a>	181009	78.41	78.77	77.3	78.07	-0.42	4,882	65,953	526
<a href="#">May-19</a>	181009	79.16	79.5	78.2	78.89	-0.32	1,835	14,223	-176
<a href="#">Jul-19</a>	181009	79.6	80.14	78.7	79.54	-0.3	1,042	8,368	15
<a href="#">Oct-19</a>	181009	77.05	77.05	77.05	77.05	-0.22	0	2	0
Total Volume and Open Interest							20,028	2,51,693	-112

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