

Domestic Fundamentals:

Market Outlook:

Cotton spot market prices expected to trade remain sideways to weak tone due to sluggish demand. Arrivals are also down an further expectation to be in slow pace as sellers want better prices. In long run, prices may get support to rise after export demand from China, Bangladesh, Vietnam and opening up of Pakistan market.

In the News: Arrivals of cotton this year during Oct-Nov stood at 65.79 lakh bales, about 31% lower than the 95.09 lakh bales in the corresponding period last year. However this huge drop does not seems to have triggered a demand. Despite lower arrivals, prices have dropped due to slack demand from textile mills and multinational traders. Arrivals are likely to increase pace from middle of this month since the assembly elections got over in the sates of Telnagana and Rajasthan.

The cotton prices in Gujarat are at Rs 44300-44700 per candy of 355 kg during the week as compared to Rs 38000-38700 per candy in the corresponding period last year. However the MCX 29mm contract for December month is trading in the range of 21'500 to 22'300. Prices are likely to consolidate in the short term and the overall trend remains bearish.

Daily arrivals are around 160'000 bales. Trading activities remained lackluster with slow demand from the export market and domestic mills. The Cotton Corporation of india has procured about 51'000 bales at the minimum Support Price in the current season.

In AP and Telanagana states cotton yields have fallen significantly, in red soil starches, yields have fallen by up to 60 Per cent, while in black soil areas, it is a 50 per cent drop. Against the average of 8-10 quintals an acre, farmers have got 2-6 quintals depending on the availability of water and the intensity of the Pink bollworm attack. Poor yields have resulted in reduction in cotton arrivals at markets.

India's cotton exports, which had slowed in November due to adverse currency movements and volatile prices. Since October, deals for the export of over 2.5 million bales of cotton have been signed, of this total quantity around 1.5 mln bales have already shipped, while the rest will be exported in Dec-Jan. The deals struck at 84-86 cents per pound, are for exports to Bangladesh, Vietnam, Indonesia, Pakistan and China.

The country has exported close to 10 lakh bales of cotton so far to Bangladesh, Vietnam and Indonesia this kharif season, according to industry experts. The total exports are likely to touch 65 lakh bales even as cotton purchases made by the Cotton Corporation of India remain tepid on weak arrivals. The cotton prices are hovering around minimum support prices (MSP) of Rs 5,150 per quintal for medium staple variety and Rs.5,450 per quintal for long staple variety. The MSP for this season is Rs 1,130 per quintal higher as compared to last year.

At Akola, the crop is 135 to 140 days old at boll development and bursting stage. No infestation of weeds. Due to early withdrawal of rains, flowering and growth development stages of cotton was affected. Overall season was not good for cotton crop due to excess rainfall and heavy incidence of sucking pest in the region resulted heavy reduction of yield. Pickings are in progress.

In Maharashtra, cotton prices are hovering near minimum support prices, procurement by the Cotton Corp of India has so far received tepid response. "Farmers have held back produce on belief that prices will rise for sure after Makar Sankranti festival (which falls around mid-January) due to a smaller crop," said an official at Maharashtra State Co-Operative Cotton Growers Marketing Federation. The minimum support price for medium-staple variety of cotton is 5,150 rupees per 100 kg, and that for long staple at 5,450 rupees per 100 kg, both 1,130 rupees higher on year. Prices at Cotton Corp's procurement centres in Aurangabad and Akola had been at intervention levels over the last couple of days. However, Cotton Corp could procure just a couple of hundred of bales so far at both the centres. "Arrivals

in most centres in Maharashtra have not picked up as expected as farmers are hoarding the crop or selling it to private ginner and millers at higher prices,” a senior official at Cotton Corp said.

Weather Forecast for tomorrow:

Andhra Pradesh and Chennai coast may receive heavy to moderate rains along with very heavy rains over isolated places. Very strong winds are expected to blow over many places of Coastal Andhra Pradesh and Tamil Nadu. Heavy to moderate rain and thundershower along with strong winds may occur over many places of Odisha, parts of Jharkhand and Gangetic West Bengal. Light to moderate rain and thundershower activities with moderate wind speed may occur over parts of Vidarbha, East Madhya Pradesh, Chhattisgarh, Telangana and parts of Northeast India.

Light rain may occur over some places of Bihar and Sub-Himalayan West Bengal. Shallow to moderate fog may form over east and northeast states as well as over north western plains of the country. Marginal decrease in minimum temperatures along with dry weather is possible over northern and north western plains of the country including the Indo-Gangetic plains.

International Fundamentals:

ICE cotton futures were a touch weaker on Wednesday in light trading on concerns of global demand for the natural fiber, especially after a U.S. government data raised production estimates for the local crop. The most active cotton contract on ICE Futures U.S., the March contract, fell 0.12 cent, or 0.15 percent, at 79.90 cents per lb at 1:30 p.m. EST (1830 GMT). The contract traded in an extremely tight range between 79.57 and 80.3 cents a lb.

This month's 2018/19 U.S. cotton forecasts include slightly higher production and ending stocks. Production is raised 180,000 bales due mainly to a 300,000-bale increase in Texas. Domestic mill use and exports are unchanged. Ending stocks, forecast at 4.4 million bales in 2018/19, are 100,000 bales above both last month and the 2017/18 estimate. The forecast range for the marketing year average price received by producers is unchanged from November, 71 to 77 cents per pound, with a midpoint of 74 cents.

The global 2018/19 forecasts compared with last month include lower production, lower consumption, higher trade, and slightly higher ending stocks. Global production is 645,000 bales lower with smaller crops in Pakistan, China, India, Turkmenistan, and Turkey. These changes more than offset a 1.0-million-bale increase in Brazil and smaller increases in the United States and Cote d'Ivoire. Global consumption is 1.3 million bales lower largely due to a 1.0-million-bale decline for China, but consumption is also lower in Pakistan, Turkey, and Uzbekistan. Global trade is 600,000 bales higher, with imports up in Pakistan, India, and Malaysia, while exports are higher from Brazil, Argentina, Cote d'Ivoire, India and Uzbekistan. Projected 2018/19 global ending stocks are nearly 600,000 bales higher this month, but at 73.2 million bales are down 7.3 million bales from the year before.

ICE cotton futures recoiled on Tuesday having fallen earlier in the day after a global supply and demand data projected a slight increase in U.S. stocks for the natural fiber. The contract for March fell briefly, immediately following the release of the monthly World Agriculture Supply and Demand Estimates (WASDE) data by the U.S. government, before settling up 0.14 cent, or 0.18 percent, at 80.02 cents per lb. It traded within a range of 79.11 and 80.66 cents a lb.

From a fundamental point of view we see no reason for the market to rally. There is plenty of cotton around at the moment and the fact that we have such a large amount of tenderable 41 style cotton should keep a lid on the market. It would help if China were able to come back into the market to absorb some of these lower qualities, which is why traders are keenly awaiting the outcome of the US-China trade talks at the G-20 meeting this weekend.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-------|-------|-------|-------|-------|--------|--------|------|--------|
| Dec-18 | -0.05 | 21880 | 21990 | 21830 | 21880 | 1718 | 512 | 4540 | -356 |
| Jan-19 | -0.05 | 22090 | 22230 | 22080 | 22140 | 1094 | 216 | 3129 | 324 |

| Spread | Dec-18 | | - | - | -- | -- |
|--------|--------|--|---|---|----|----|
| Spot | -240 | | | - | - | - |
| Jan-19 | | | | - | - | - |

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

* Updated at as on 17-Dec- 2018

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|----------------|-------------|---------------|----------------------|-----------|--------|
| State | Centre | Variety | 17-Dec-18 | 15-Dec-18 | |
| Gujarat | Ahmedabad | Shankar-6 | 5700 | 5700 | Unch |
| | Gondal | Shankar-6 | 5610 | 5610 | Unch |
| | Rajkot | B.T. Cotton | 5740 | 5690 | 50 |
| | Patan | B.T. Cotton | 5640 | 5655 | -15 |
| | Kadi | B.T. Cotton | 5900 | 5800 | 100 |
| | Deesa | B.T. Cotton | 5350 | 5400 | -50 |
| | Dhrol | B.T. Cotton | 5430 | 5360 | 70 |
| Haryana | Bhiwani | B.T. Cotton | 5725 | 5725 | Unch |
| | Bhiwani | Desi | 5900 | 5800 | 100 |
| | Adampur | B.T. Cotton | 5525 | 5500 | 25 |
| | Fatehabad | B.T. Cotton | 5500 | 5450 | 50 |
| | Jind | B.T. Cotton | 5730 | 5650 | 80 |
| | Uchana | B.T. Cotton | 5460 | 5570 | -110 |
| | Dabwali | B.T. Cotton | 5445 | 5445 | Unch |
| Rajasthan | Hanumangarh | B.T. Cotton | 5450 | 5430 | 20 |
| | Rawatsar | B.T. Cotton | 5410 | 5410 | Unch |
| Madhya Pradesh | Khandwa | Mech-1 | 5625 | 5625 | Unch |
| | Khargaon | Mech-1 | 5540 | 5530 | 10 |
| Maharashtra | Amravati | Mech-1 | 5600 | 5550 | 50 |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 5900 | 5800 | 100 |
| | Hathras | Desi | 4950 | 4900 | 50 |
| Telangana | Adilabad | Un-Ginned | NR | 5505 | - |

| | | | | | |
|-----------|----------------|-------------|--------------------|-----------|--------|
| Karnataka | Bijapur | Bunny | NR | NR | - |
| | Hubli | D.C.H. | NR | NR | - |
| | Hubli | B.T. Cotton | NR | NR | - |
| | Raichur | H-44 Cotton | 5700 | 5711 | -11 |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |
| State | Centre | Variety | 17-Dec-18 | 15-Dec-18 | |
| Punjab | Bhatinda | J-34 | 4460 | 4440 | 20 |
| | Abohar | J-34 | 4470 | 4450 | 20 |
| | Mansa | J-34 | 4450 | 4430 | 20 |
| Haryana | Sirsa | J-34 | 4450 | 4430 | 20 |
| Rajasthan | Sri-Ganganagar | J-34 | 4136 | 4136 | Unch |

Cotton Arrivals in Key Centers:

| | | | | | |
|----------------|-------------|---------------|--------------------|-----------|--------|
| Commodity | Kapas | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 17-Dec-18 | 15-Dec-18 | |
| Gujarat | Ahmedabad | Shankar-6 | 51000 | 51000 | Unch |
| | Gondal | Shankar-6 | 3321 | 2915 | 406 |
| | Rajkot | B.T. Cotton | 6250 | 5950 | 300 |
| | Patan | B.T. Cotton | 12382 | 14155 | -1773 |
| | Kadi | B.T. Cotton | 20000 | 20000 | Unch |
| | Deesa | B.T. Cotton | 10 | 25 | -15 |
| | Dhrol | B.T. Cotton | 872 | 449 | 423 |
| Haryana | Bhiwani | B.T. Cotton | 4500 | #N/A | - |
| | Bhiwani | Desi | NA | #N/A | - |
| | Adampur | B.T. Cotton | 510 | #N/A | - |
| | Fatehabad | B.T. Cotton | 1000 | #N/A | - |
| | Jind | B.T. Cotton | 2380 | #N/A | - |
| | Uchana | B.T. Cotton | 3190 | #N/A | - |
| | Dabwali | B.T. Cotton | 1650 | #N/A | - |
| Rajasthan | Hanumangarh | B.T. Cotton | 4000 | 5000 | -1000 |
| | Rawatsar | B.T. Cotton | 4000 | 4000 | Unch |
| Madhya Pradesh | Khandwa | Mech-1 | 4100 | 4185 | -85 |
| | Khargaon | Mech-1 | 6760 | 10170 | -3410 |
| Maharashtra | Amravati | Mech-1 | 13000 | 10000 | 3000 |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 30 | 30 | Unch |
| | Hathras | Desi | 10 | 30 | -20 |
| Telangana | Adilabad | Un-Ginned | NR | 10842 | - |
| Karnataka | Bijapur | Bunny | NR | 3172 | - |
| | Hubli | D.C.H. | NR | 132 | - |
| | Hubli | B.T. Cotton | NR | 14 | - |

| | Raichur | H-44 Cotton | 1072 | 577 | 495 |
|-----------|----------------|-------------|--------------------|-----------|--------|
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 17-Dec-18 | 15-Dec-18 | |
| Punjab | Bhatinda | J-34 | 8500 | 8500 | Unch |
| | Abohar | J-34 | 1530 | 1190 | 340 |
| | Mansa | J-34 | 1360 | 1020 | 340 |
| Haryana | Sirsa | J-34 | 1700 | 1700 | Unch |
| Rajasthan | Sri-Ganganagar | J-34 | 7000 | 3500 | 3500 |

Cotton Seed Oil Prices:

| Commodity | Cotton Seed Oil | | Price | | Change |
|-------------|-----------------|-------------|-----------|-----------|--------|
| State | Centre | Unit | 17-Dec-18 | 15-Dec-18 | |
| Gujarat | Rajkot | Rs. /10 Kg. | 710 | 710 | Unch |
| Delhi | New Delhi | Rs. /10 Kg. | 685 | 685 | Unch |
| Telangana | Hyderabad | Rs. /10 Kg. | 705 | 705 | Unch |
| Maharashtra | Mumbai | Rs. /10 Kg. | 720 | 720 | Unch |

Cotton Seed Oil Seed Cake Prices:

| Commodity | Cotton Seed Oil Seed Cake | | Price | | Change |
|-------------|---------------------------|---------|-----------|-----------|--------|
| State | Centre | Unit | 17-Dec-18 | 15-Dec-18 | |
| Gujarat | Mahesana (Kadi) | Rs./Qtl | 1886 | 1873 | 13 |
| Maharashtra | Akola | Rs./Qtl | 1906 | 1900 | 6 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|---------------|---------------|---------------|--------|
| | | | | 14-Dec-18 | 13-Dec-18 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 41200 | 41200 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 41700 | 41700 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 41900 | 42200 | -300 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 42800 | 43000 | -200 |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 44400 | 44400 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 45300 | 45400 | -100 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 46100 | 46200 | -100 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 57900 | 58000 | -100 |

INTERNATIONAL PRICES AND INDICES

China Cotton Index:

| Index | Unit | 17-Dec-18 | 15-Dec-18 | Change |
|----------------------------------|---------|-----------|-----------|--------|
| CCIndex(328) | RMB/Ton | 15406 | Closed | - |
| CCIndex(527) | RMB/Ton | 14448 | Closed | - |
| CCIndex(229) | RMB/Ton | 15907 | Closed | - |
| RMB -Renminbi, 1RMB =0.16 \$U.S. | | | | |

China Foreign Cotton (FCE) Index :

| Index | Unit | 17-Dec-18 | 15-Dec-18 | Change |
|--------------|----------|-----------|-----------|--------|
| FC Index (S) | Cents/lb | 92.09 | Closed | - |
| FC Index (M) | Cents/lb | 88.45 | Closed | - |
| FC Index (L) | Cents/lb | 85.67 | Closed | - |

Cotlook Index:

| Cotlook Indices | Unit | 14-Dec-18 | 13-Dec-18 | Change |
|-----------------|-------------|-----------|-----------|--------|
| A-Index | Cents/Pound | 88.25 | 88.25 | Unch |

USDA Cotton Spot Rates:

| Growth Area | Unit | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|-----------|---------------------|---------------------|----------|
| | | 14-Dec-18 | 14-Dec-18 | Bales |
| Southeast | cents/lb. | 73.35 | 77.6 | 276 |
| North Delta | cents/lb. | 73.85 | 76.35 | 2995 |
| South Delta | cents/lb. | 76.85 | 78.6 | 0 |
| East TX-OK | cents/lb. | 73.85 | 82.75 | 0 |
| West Texas | cents/lb. | 76.85 | 78.6 | 0 |
| Desert SW | cents/lb. | 77.6 | 79.85 | 399 |
| SJ Valley | cents/lb. | 73.85 | 76.6 | 697 |

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

ICE Cotton Futures (Prices in cents/lb.): Ason14-Dec-2018

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| 19-Mar | 79.40 | 79.94 | 78.62 | 79.60 | 0.19 |
| 19-May | 80.37 | 80.96 | 79.75 | 80.67 | 0.24 |
| 19-Jul | 80.97 | 81.56 | 80.46 | 81.34 | 0.32 |

| | | | | | |
|--------|-------|-------|-------|-------|-------|
| 19-Oct | 78.42 | 78.42 | 78.42 | 78.42 | 0.32 |
| 19-Dec | 77.4 | 77.85 | 77.12 | 77.69 | 0.26 |
| 20-Mar | 77.98 | 78.08 | 77.76 | 78.08 | -0.01 |

| Pakistan Cotton Spot rates: As on 14-Dec-2018 | | | | (in Pakistan Rupees) |
|---|-----------|--------------|------------------|----------------------|
| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
| Cotton | 37.32 Kgs | 8800 | 160 | 8960 |
| Equivalent | 40 Kgs | 9431 | 171 | 9602 |

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