

### Domestic Fundamentals:

#### **Market Outlook:**

NCDEX Cotton witnessed another deep cut intraday, but later recovered to close slightly positive for the day, even as the previous US market session had closed firmly negative. Indian market seems to have found a short term support at current levels as availability of raw material for mills is currently strained. Even US market during the current session has registered gains (trading at 66.76c at the time of this writing compared to previous close of 65.45c). At least a short term bottom in ICE futures might already be in place or close from current levels.

Even before the current decline and widened basis, India's 2018/19 cotton imports were expected to double from a year ago to a record 3.1 million bales. In view of the current price action, the imports may be even higher.

#### **News:**

**Following hike in US's import tariffs on Chinese goods from 10% to 25% on USD 200 billion worth of imports, China has said US goods worth \$60 billion in imports will be subject to additional tariffs from June 1. Meanwhile, trade talks continue between the negotiators of the two countries.**

**Due to worsening trade atmosphere, almost 8 lakh bales of current US cotton crop and 13 lakh bales of new crop purchases by Chinese buyers are under threat of cancellation.**

**The USDA has estimated that India's 2018-19 cotton production would be 34.525 million bales, 7.5% higher than the estimate of CAI of 32.1 million bales, revised downward by from its previous one of 32.8 million bales.** Cotton Association of India (CAI) strongly objected to the cotton production estimates issued by the USDA.

**India's cotton imports of 8 lakh to 9 lakh mln bales have been shipped** and remaining are likely to be shipped between May and July out of contracted 1.8 mln bales. Indian imports from US rose to 2.56 lakh bales in April from 79,900 bales in March due to high domestic prices and short supply. Imports are taking place at Rs. 47,500 to 48,000/candy landed cost at port.

**The Punjab agriculture department has increased the area under cotton by nearly 40% to 4 lakh hectares, up from 2.84 lakh hectares in 2018-19 season.** The season for cotton sowing has already set in and the sowing is expected to pick pace from the first week of May.

**Stock held by mills as of end-March is 4.6 million bales** in godowns of the CCI, multinational companies, ginners and the Multi Commodity Exchange, as of end-March. Trade sources say CAI recently convened a meeting of cotton traders and spinning mills to devise a strategy for selling its inventory.

**India's current cotton crop arrivals reached 27.88 million bales until 16<sup>th</sup> April 2019, as per the latest CCI report.** Physical prices traded steady last week on slow selling from ginners and slow demand from domestic mills.

**Indian importers have booked nearly 19 lakh bales while export is just at 40 lakh bales.** Net Outflow of cotton is near 20 lakh bales against last year's above 50 lakh bales. Indian consumers are regularly booking imports as their long-term strategy. Indian physical market remain range bound as ginners are holding good stock so now selling further arrivals in the market provides liquidity at regular pace and also some profit booking of investors.

**Maharashtra Commission for Agricultural Costs & Prices are expecting to raise the minimum support price of cotton by 10 %** and in the same lines CCI also told that there is a possibility of atleast 10% increase in MSP for cotton in the coming kharif season.

*International Cotton Advisory Committee (ICAC), the apex cotton body in their April 2019 report, have projected a 6% rise in global production for 2019-20 at 276 lakh tonne.*

*The largest producer among the southern states, Telangana's total cotton output is seen falling 19% on year to 4.1 mln bales in 2018-19 season due to sharp fall in yields led by moisture deficiency after scanty rains. The cotton yield expected to decline to 381kg/ha from 451 kg in the previous year.*

*All India daily cotton arrivals are reported to be about 75'000 bales according to CAI. Active import business continued for West African & US origins. India remains in the market for U.S. cotton which support prices to remain high and China, Vietnam and Turkey were major buyers.*

*According to CAI, the balance sheet projects total cotton supply of 37.60 million bales, a domestic consumption of 31.60 million bales, exports of 4.70 million bales and a carry-over stock of 1.3 million bales. New crop planting started in some areas of North India. Good availability of canal water and better prices of seed cotton in the current season against competing crops will likely favor cotton sowing in North India.*

#### **Weather Forecast for tomorrow:**

*According to IMD, India is likely to receive a "near normal" South-West monsoon this year but its onset over Kerala could be delayed owing to the prevailing El Nino conditions in the Pacific Ocean. El Nino may impact the onset of the monsoon over Kerala. But it's a weak El Nino. Moreover, the temperature anomaly in the Pacific is expected to come down by July. Forecaster predicted that the chances of rainfall being either above normal or excess are remote. The national weather forecaster will issue its second stage forecast in the first week of June.*

#### **International Fundamentals:**

*China has said US goods worth \$60 billion in imports will be subject to additional tariffs from June 1, after President Trump announced a hike from 10% to 25% for tariffs on \$200 billion of Chinese goods.*

*According to data released by Bangladesh Textile Mill Association, India accounted for 26.12% of the country's total cotton imports, down from more than 60% two years ago. East and West African countries now account for 37.06% of Bangladesh's cotton imports.*

*The Karachi Cotton Association reduced its spot rate by Rs50 to Rs8,800. Ginners with stocks of good quality cotton are of the view that the value of Pakistani rupee will depreciate further against the dollar and hence are unwilling to enter into deals at low prices*

*18% of the US cotton crop was planted by May 5, 7% more from the week prior. That is even with a year ago but lagging the average by 1%.*

*On May 7th reserve cotton sales resources sold 100% at 10016.0599 tons. The average transaction price was 14614 yuan/ton, down 59 yuan/ton from the previous trading day; discount 3128 price 16041 yuan per ton, down 44 yuan per ton compared with the previous trading day. The previous two days cumulative turnover of reserve cotton was 30,000 tons and turnover rate was 100%.*

*China has announced that it will auction 800,000 ton from its reserve in 2019. According to forecasts from the International Cotton Advisory Council (ICAC), the country has approved cotton sliding tariff import quota, with the reserve auction set to begin on 5 May and run through 30 September.*

**China is going to commence the state cotton reserve's auction from May 5 and end on Sep 30.** The reserve will offer 10,000 metric tons (about 45,000 bales) each session. The market seems to be affected bearish as it will impact global trade. Qualities are expected to be low grades, which will help sustain demand since the low-grade market within China is reportedly very tight.

**The USDA showed just 144,778 RB in old crop upland cotton export sales for the week of 4/25.** That was a 6-week low and down 23.75% from the same week a year ago.

**NASS reported that 11% of the US cotton crop has been planted as of 28<sup>th</sup> March, an increase of 2% from the previous week.** US Export sales were decent 11,38,900 and export and shipment were 15,12,700 Bales. Total Commitments will cross USDA Export target in next one or two weeks but require pace of shipment is more than 4 lakh bales a week.

**Mixed trend was seen in international cotton market after fluctuation.** China hinted to import 8 lac tons bales which is approximately equal to 47 lac cotton bales while on the other hand China showed its interest of selling 10 lac bales from its old stock.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-19	+100	20520	20950	19950	20880	7559	+3318	11846	-1288
Jun-19	+150	20690	21190	20150	21130	5776	+3729	7508	+37
Spread	Jun-19	-	-	-	-	-	--	-	--
Spot	-230	-	-	-	-	-	-	-	-
May-19	+250	-	-	-	-	-	-	-	-

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

\* Updated at as on 14-May- 2019@11pm

#### DOMESTIC PRICES AND ARRIVAL

##### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	14-May-19	13-May-19	
Gujarat	Ahmedabad	Shankar-6	6125	6100	25
	Gondal	Shankar-6	6005	6080	-75
	Rajkot	B.T. Cotton	6105	6140	-35
	Patan	B.T. Cotton	5980	6120	-140
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5680	5500	180
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	6200	6300	-100

	Fatehabad	B.T. Cotton	NA	NA	-
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	NA	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	6470	6470	Unch
	Rawatsar	B.T. Cotton	NA	NA	-
Madhya Pradesh	Khandwa	Mech-1	NR	NR	-
	Khargaon	Mech-1	6165	6080	85
Maharashtra	Amravati	Mech-1	6150	6325	-175
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	NR	-
Karnataka	Bijapur	Bunny	6383	6600	-217
	Hubli	D.C.H.	6100	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5900	6150	-250
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	14-May-19	13-May-19	
Punjab	Bhatinda	J-34	4690	4760	-70
	Abohar	J-34	4690	4790	-100
	Mansa	J-34	4750	4820	-70
Haryana	Sirsa	J-34	4630	4710	-80
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

#### Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	14-May-19	13-May-19	
Gujarat	Ahmedabad	Shankar-6	10200	10200	Unch
	Gondal	Shankar-6	177	197	-20
	Rajkot	B.T. Cotton	610	450	160
	Patan	B.T. Cotton	830	985	-155
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	11	5	6
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	255	340	-85
	Fatehabad	B.T. Cotton	NA	NA	-

	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	NA	NA	-
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	335	800	<b>-465</b>
	Rawatsar	B.T. Cotton	NA	NA	-
<b>Madhya Pradesh</b>	Khandwa	Mech-1	NR	NR	-
	Khargaon	Mech-1	120	225	<b>-105</b>
<b>Maharashtra</b>	Amravati	Mech-1	600	1300	<b>-700</b>
	Jamner	Medium Staple	NA	NA	-
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
<b>Telangana</b>	Adilabad	Un-Ginned	NR	NR	-
<b>Karnataka</b>	Bijapur	Bunny	559	1255	<b>-696</b>
	Hubli	D.C.H.	50	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	30	97	<b>-67</b>
<b>Commodity</b>	<b>Lint</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>14-May-19</b>	<b>13-May-19</b>	
<b>Punjab</b>	Bhatinda	J-34	170	170	<b>Unch</b>
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
<b>Haryana</b>	Sirsa	J-34	85	170	<b>-85</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	NA	NA	-

#### Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	14-May-19	13-May-19	
<b>Gujarat</b>	Rajkot	Rs. /10 Kg.	740	740	<b>Unch</b>
<b>Delhi</b>	New Delhi	Rs. /10 Kg.	720	717	<b>3</b>
<b>Telangana</b>	Hyderabad	Rs. /10 Kg.	715	715	<b>Unch</b>
<b>Maharashtra</b>	Mumbai	Rs. /10 Kg.	755	752	<b>3</b>

#### Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	14-May-19	13-May-19	
<b>Gujarat</b>	Mahesana (Kadi)	Rs./Qtl	2862	2831	<b>31</b>
<b>Maharashtra</b>	Akola	Rs./Qtl	2783	2754	<b>29</b>

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-May-19	11-May-19	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	41400	41400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41900	41900	Unch
J-34(202)	26mm	3.5 - 4.9	23	45200	45500	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	43900	44300	-400
Shankar-6(105)	29mm	3.5 - 4.9	28	44800	45100	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	46800	47200	-400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	47800	48200	-400
DCH-32(107)	34mm	3.0 - 3.8	33	54100	54500	-400

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index:**

Index	Unit	14-May-19	13-May-19	Change
CCIndex(328)	RMB/Ton	15323	15489	-166
CCIndex(527)	RMB/Ton	14438	14543	-105
CCIndex(229)	RMB/Ton	15777	15937	-160
RMB -Renminbi, 1RMB =0.16 \$U.S.				

**China Foreign Cotton (FCE) Index :**

Index	Unit	14-May-19	13-May-19	Change
FC Index (S)	Cents/lb	81.17	83.71	-2.54
FC Index (M)	Cents/lb	76.98	79.3	-2.32
FC Index (L)	Cents/lb	73.42	76.31	-2.89

**Cotlook Index:**

Cotlook Indices	Unit	13-May-19	11-May-19	Change
A-Index	Cents/Pound	79	Closed	-

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
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		13-May-19	13-May-19	Bales
Southeast	cents/lb.	62.2	64.45	0
North Delta	cents/lb.	60.95	63.2	0
South Delta	cents/lb.	60.95	63.2	0
East TX-OK	cents/lb.	58.95	61.2	306
West Texas	cents/lb.	58.95	61.7	0
Desert SW	cents/lb.	58.45	62.45	0
SJ Valley	cents/lb.	58.95	67.85	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 13-May-2019				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8700	160	8860
Equivalent	40 Kgs	9324	171	9495

Daily Futures Price Listing Wed May 13, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">19-Jul</a>	190513	68.5	68.59	65.45	65.45	-3	34,573	103,817	-1,120
<a href="#">19-Oct</a>	190513	68.48	68.48	66.65	66.65	-3	22	43	-1
<a href="#">19-Dec</a>	190513	69.25	69.39	66.4	66.4	-3	15,149	94,653	-543
<a href="#">20-Mar</a>	190513	70.3	70.3	67.38	67.62	-2.75	1,788	12,355	178
<a href="#">20-May</a>	190513	70.75	70.75	68.25	68.35	-2.51	258	1,015	20
<a href="#">20-Jul</a>	190513	70.7	70.7	68.75	68.86	-2.2	267	2,842	-5
Total Volume and Open Interest							52,826	220,335	-1,252

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