

Domestic Fundamentals:**Market Outlook:**

Cotton prices expected to remain firm as the crop has been short by 700,000 bales in production estimate this year and due to exports demand from International markets especially from China. Moreover, China has announced import quota of 800,000 ton (47 lakh bales) of cotton. However, the international markets have fallen quite sharply during the last two weeks. Indian markets have followed suit but the decline here has been comparatively tepid owing to tightness in domestic supplies. The bench market mandi (Rajkot) price for variety Shankar 6 (105) was stood Rs 44950/ per candy on 24th May. The market currently seems supported and simultaneously price will increase .

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:.

Chances of importing cotton from international markets are less due to the increase in dollar value against the rupee. According to Secretary Agriculture Punjab Wasif Khurshid, cotton consumption is increasing day by day at the international level

North India Cotton Association president Ashok Kapur said, that the Agriculture Department has pegged the target area on the higher side, as he doesn't expect the area to increase from 2.84 lakh hectares in 2018-19 to 4 lakh hectares in 2019-20.

The weather will play a very vital role especially for India, monsoon will have major effect. The actual acreage figure shall give a clear picture on the new season.

The cotton market finished Monday strong. With the U.S./China trade talks in limbo, the weather news was able to take front-and-center attention.

Indian cotton market, however, showed resilience, falling only 10% in the futures market during this period. Prices in spot market are down just 5-6% amid severe supply crunch due to lower production, though volumes have fallen due to volatile prices.

Important to watch in coming days : Trade Disputes Continue to Weigh on Markets , Weather Impacts Planting Across United States , Eyes on Weather, Reports and Policy Going Forward.

Despite persistent challenges, global cotton consumption should reach an all-time high in 2019/20

- World production should rise to 27.6 million tonnes, boosted in part by a 6% increase in global yields
- Ending stocks are projected to increase slightly from 2018/19 to 17.7 million tonnes

Cotton prices on Tuesday (14th May 2019) recovered from a near three-year low hit earlier in the session on renewed optimism that a trade war between China and the United States will be resolved and as poor weather delayed planting progress in the United States

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, ginneries 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 16th April 2019, as per the latest CCI report. Physical prices traded steady last week on slow selling from ginneries 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 ginneries 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:

An induced Cyclonic Circulation is over Southwest Rajasthan. A Cyclonic Circulation is over Southeast Uttar Pradesh in the lower levels. A Trough from this Cyclonic Circulation is extending up to South Chhattisgarh. Another Trough is extending from South Interior Karnataka up to Comorin area across Tamil Nadu.

The monsoon is likely to be delayed this year as its arrival expected on June 6, five days after its normal onset date, the India Meteorological Department said on Wednesday.

"This year, the statistical model forecast suggests that the monsoon onset over Kerala is likely to be slightly delayed," the IMD said. "The southwest monsoon onset is likely to set over Kerala on 6th June with a model error of plus or minus 4 days."

International Fundamentals:

The cotton market finished moderately higher as its oversold condition, plus Thursday morning's strong export-sales data, sent prices higher

Traders are anxiously awaiting this week's sales and exports data. This week's report will reflect the time period when the spot market collapsed some 6.50 or so cents.

Cotton prices settled lower on Tuesday as planting kept pace in South and West Texas, the largest cotton-producing state, while concerns of demand meeting abundant production in the United States kept investors at bay. Cotton contracts for July settled down 0.59 cent, or 0.87%, at 67.32 cents per lb.

US Cotton crop progress as per latest report is as below-

Date	Acreage
19 May --2019	44 %
12 May – 2019	26 %
19 May – 2018	50 %

Cotton prices settled about 3% higher on Monday as unfavourable weather prompted planting delays and concerns about lower crop yields, with the backdrop of a bitter US-China trade spat. Cotton contracts for July settled up 1.92 cent, or about 3%, at 67.91 cents per lb. It traded within a range of 65.85 and 67.99 cents a lb, its highest since May 13.

The cotton market ended in the week with a bearish Friday session. The bearish close was fitting to a week where the overall dropped some 3.00 cents and to a market that fell some 7.50 cents last week. The guilty fundamental is the continued bearish tone set by the back-and-forth action of the U.S.-China trade war.

With U.S. cotton making up a large percentage of the available supplies until next harvest, broad demand for U.S. cotton seems likely to continue although there is a higher risk that some sales will be cancelled because of the steepness of the price decline and the escalation of tensions with China.

Cotton prices inched up on Thursday as investors covered short positions as rally in global equities and grains market improved market sentiment, while US-China trade war worries limited gains. The most-active cotton contract on ICE Futures US July settled up 0.45 cent, or 0.7 %, at 66.80 cents per lb. It traded within a range of 66.33 and 67.17 cents a lb

Brazil: More cotton acreage is being planted- *While corn remains the major safrinha crop for Brazilian farmers, more cotton acreage is being planted in Mato Grosso this spring, as well. Over the past two years, cotton planting has increased by nearly one-third for the safrinha in Mato Grosso. The Brazilian Association of Cotton Producers(Abrapa) forecast cotton acreage to grow to 1.4 million hectares (3.46 million acres). Mato Grosso accounts for about 88% of Brazil's cotton production.*

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. Ginnerys 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-19	+110	21300	21450	21240	21340	1629	+410	5023	-691
June-19	+130	21570	21730	21520	21600	2195	+753	12660	+365
July-19	+110	21750	21890	21690	21780	436	+278	3111	+88
Aug-19	+50	21820	21930	21820	21770	3	0	378	+1

Spread	May-19	Jun-19	Jul-19	Aug-19	--	--
Spot					-	-
May-19	-260	-	-	-	-	-
Jun-19	-	+20	-	-	-	-
Jul-19	-	-	+180	-	-	-
Aug-19	-	-	-	+220	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 24th May @ 6 pmDOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	24-May-19	23-May-19	
Gujarat	Ahmedabad	Shankar-6	6250	6200	50
	Gondal	Shankar-6	6205	6120	85
	Rajkot	B.T. Cotton	6225	6185	40
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5705	NA	-
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	6425	6400	25
	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	6515	6480	35

	Rawatsar	B.T. Cotton	6280	6315	-35
Madhya Pradesh	Khandwa	Mech-1	NR	NR	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	6400	Closed	-
	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	6629	6439	190
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	24-May-19	23-May-19	
Punjab	Bhatinda	J-34	4885	4820	65
	Abohar	J-34	4890	4860	30
	Mansa	J-34	4830	4825	5
Haryana	Sirsa	J-34	4810	4780	30
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	24-May-19	23-May-19	
Gujarat	Ahmedabad	Shankar-6	7650	8500	-850
	Gondal	Shankar-6	45	121	-76
	Rajkot	B.T. Cotton	425	600	-175
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	9	NA	-
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	255	255	Unch
	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	385	800	-415
	Rawatsar	B.T. Cotton	92	333	-241

Madhya Pradesh	Khandwa	Mech-1	NR	NR	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	900	Closed	-
	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	344	66	278
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	24-May-19	23-May-19	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	85	85	Unch
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	24-May-19	23-May-19	
Gujarat	Rajkot	Rs. /10 Kg.	740	740	Unch
Delhi	New Delhi	Rs. /10 Kg.	713	715	-2
Telangana	Hyderabad	Rs. /10 Kg.	717	722	-5
Maharashtra	Mumbai	Rs. /10 Kg.	750	752	-2

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	24-May-19	23-May-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2858	2833	25
Maharashtra	Akola	Rs./Qtl	2771	2764	7

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				23-May-19	22-May-19	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40700	40700	Unch

Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41200	41200	Unch
J-34(202)	26mm	3.5 - 4.9	23	45700	45400	300
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	43300	43300	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	44600	44600	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	46900	46900	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	47800	47800	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55000	55000	Unch

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

Index	Unit	24-May-19	23-May-19	Change
CCIndex(328)	RMB/Ton	14621	14703	-82
CCIndex(527)	RMB/Ton	13822	13910	-88
CCIndex(229)	RMB/Ton	15041	15127	-86

RMB -Renminbi, 1RMB =0.16 \$U.S.

China Foreign Cotton (FCE) Index :

Index	Unit	24-May-19	23-May-19	Change
FC Index (S)	Cents/lb	82.7	82.10	0.60
FC Index (M)	Cents/lb	78.66	77.99	0.67
FC Index (L)	Cents/lb	74.71	74.08	0.63

Cotlook Index:

Cotlook Indices	Unit	23-May-19	22-May-19	Change
A-Index	Cents/Pound	77.75	78.3	-0.55

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		23-May-19	23-May-19	Bales
Southeast	cents/lb.	64.23	66.48	0
North Delta	cents/lb.	62.98	65.23	0
South Delta	cents/lb.	62.98	65.23	0
East TX-OK	cents/lb.	60.98	63.23	2233
West Texas	cents/lb.	60.98	63.73	1403
Desert SW	cents/lb.	60.48	64.48	0
SJ Valley	cents/lb.	60.98	69.88	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 23-May-2019				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8750	160	8910
Equivalent	40 Kgs	9377	171	9548

Daily Futures Price Listing Thu May 23, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
19-Jul	190523	66.75	68.22	66.51	67.48	0.73	14,216	101,502	1,254
19-Oct	190523	67.23	67.23	67.23	67.23	0.48	30	51	-20
19-Dec	190523	66.18	67.59	65.94	66.83	0.65	8,072	87,998	-360
20-Mar	190523	67.11	68.29	66.87	67.56	0.55	1,003	14,321	95
20-May	190523	68.03	69.16	68.03	68.4	0.52	206	1,429	62
20-Jul	190523	68.7	69.76	68.57	69.06	0.47	130	2,975	82
Total Volume and Open Interest							23,777	215,527	1,164

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2019 Indian Agribusiness Systems Pvt. Ltd.