

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 was stood Rs 44750/ per candy on 22nd May. The market currently seems supported and may consolidate around the current levels and waiting for export data.

NCDEX Cotton witnessed in 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:

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.

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.

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

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 16th 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.

Weather Forecast for tomorrow:

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 according to IMD. The dreaded El Nino, which often disrupts global weather patterns including the monsoon, is likely to be neutralised by a local phenomenon in the Indian Ocean, which can lead to good rainfall in the June-September season, top meteorologists said.

International Fundamentals:

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.

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. **US Cotton crop progress** as per latest report shows that 44% area is planted by 19th May compared to 50% in the last season.

Cotton prices on Tuesday (14 th 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.

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.

More cotton acreage is being planted in Brazil, 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. 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-19	+170	21110	21290	21090	21120	1219	-941	5714	-560
June-19	+170	21380	21560	21530	21390	1442	-1388	12295	+354
July-19	+190	21540	21740	21530	21550	158	-943	3023	+56
Aug-19	+140	21740	21800	21740	21660	3	-2	377	+0

Spread	May-19	Jun-19	Jul-19	Aug-19	--	--
Spot					-	-
May-19	-320	-	-	-	-	-
Jun-19	-	-50	-	-	-	-
Jul-19	-	-	+130	-	-	-
Aug-19	-	-	-	+190	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 23rd May @ 5.30 pmDOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	25-May-19	24-May-19	
Gujarat	Ahmedabad	Shankar-6	6250	6250	Unch
	Gondal	Shankar-6	6330	6205	125
	Rajkot	B.T. Cotton	6360	6225	135
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	5705	-
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	6500	6425	75
	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	6525	6515	10
	Rawatsar	B.T. Cotton	6300	6280	20
Madhya Pradesh	Khandwa	Mech-1	NR	NR	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	6400	6400	Unch
	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	NA	6629	-
	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	25-May-19	24-May-19	
Punjab	Bhatinda	J-34	4900	4885	15
	Abohar	J-34	4930	4890	40
	Mansa	J-34	4860	4830	30
Haryana	Sirsa	J-34	4850	4810	40
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	25-May-19	24-May-19	
Gujarat	Ahmedabad	Shankar-6	6800	7650	-850
	Gondal	Shankar-6	126	45	81
	Rajkot	B.T. Cotton	405	425	-20
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	9	-
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	170	255	-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	-
Rajasthan	Hanumangarh	B.T. Cotton	400	385	15
	Rawatsar	B.T. Cotton	100	92	8
Madhya Pradesh	Khandwa	Mech-1	NR	NR	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	1200	900	300
	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	NA	344	-
	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	25-May-19	24-May-19	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	43	85	-43
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	25-May-19	24-May-19	
Gujarat	Rajkot	Rs. /10 Kg.	740	740	Unch
Delhi	New Delhi	Rs. /10 Kg.	714	713	1
Telangana	Hyderabad	Rs. /10 Kg.	717	717	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	750	750	Unch

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	25-May-19	24-May-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2868	2858	10
Maharashtra	Akola	Rs./Qtl	2782	2771	11

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				24-May-19	23-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	46100	45700	400
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	43500	43300	200
Shankar-6(105)	29mm	3.5 – 4.9	28	44800	44600	200

Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	47200	46900	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	48000	47800	200
DCH-32(107)	34mm	3.0 - 3.8	33	55200	55000	200

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

Index	Unit	25-May-19	24-May-19	Change
CCIndex(328)	RMB/Ton	Closed	14621	-
CCIndex(527)	RMB/Ton	Closed	13822	-
CCIndex(229)	RMB/Ton	Closed	15041	-
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	25-May-19	24-May-19	Change
FC Index (S)	Cents/lb	Closed	82.70	-
FC Index (M)	Cents/lb	Closed	78.66	-
FC Index (L)	Cents/lb	Closed	74.71	-

Cotlook Index:

Cotlook Indices	Unit	24-May-19	23-May-19	Change
A-Index	Cents/Pound	Closed	77.75	-

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		24-May-19	24-May-19	Bales
Southeast	cents/lb.	NR	NR	NR
North Delta	cents/lb.	NR	NR	NR
South Delta	cents/lb.	NR	NR	NR
East TX-OK	cents/lb.	NR	NR	NR
West Texas	cents/lb.	NR	NR	NR
Desert SW	cents/lb.	NR	NR	NR
SJ Valley	cents/lb.	NR	NR	NR

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 Fri May 24, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
19-Jul	190524	67.35	68.59	67.35	68.39	0.91	11,000	101,876	374
19-Oct	190524	67.99	67.99	67.99	67.99	0.76	4	49	-2
19-Dec	190524	66.83	67.73	66.6	67.55	0.72	8,285	87,569	-429
20-Mar	190524	67.54	68.45	67.37	68.34	0.78	1,081	14,331	10
20-May	190524	68.28	69.26	68.25	69.19	0.79	218	1,471	42
20-Jul	190524	68.97	70	68.94	69.86	0.8	123	3,021	46
Total Volume and Open Interest							21,094	215,842	315

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