

### Domestic market summary

**Domestic market Scenario :** Most Cotton spot market prices are witnessed weak trend during the Month. The price in Indian market is higher than that internationally. This is backed by higher MSP and purchases by CCI. The market may move up only through larger offtake by exporters or by domestic industry. This may occur gradually over the next few months Average price of Lint at Sirsa during the month was Rs. 4386 per maund (of 37.32 Kg each), lower compared to the previous month price of Rs 4404. Cotton fiber (Shankar-6) prices noticed weak this month. Average price was Rs 42846 per candy (of 355.6 kg each) during the month, which was Rs 44041 per candy previous month. The Cotton spot market prices have been higher this season compared to last season on reports of production cut by the Cotton Association and USDA. However, cotton spot market prices are expected to trade remain sideways to weak tone due to sluggish demand.

**Monthly Price Outlook :** In the coming month we expect Kapas price to remain to Range bound with the price band of Rs 5400-6300per quintal in the Rajkot market. Lint price at Sirsa is likely to be in range of Rs 4000-5000 per maund.

### **Major Market Highlights:**

Cotton prices have softened further, despite a lower crop, on weak demand from both yarn mills and overseas markets. Cotton prices are now hovering around Rs.42,500-44,000 levels per candy (356 kg each), a decline of about a tenth over the comparative prices in October. At the beginning of the cotton harvest season in October, cotton prices were around Rs.47,000 per candy.

So far, farmers across the country have sold about 160 lakh bales from the current crop. There's still an equal quantity of cotton that farmers will be bringing into the markets over the next couple of months. This is even as ginneries are finding it hard to sell the processed cotton because of disturbances in currency and trade war.

In Jan month was slow trading month. Arrivals continuously came around 1,50,000 Bales a day. Export business was reported for China, Indonesia and Bangladesh markets. However, export sales volume still remains nominal. Total cotton exports for 2018-19 season (October-September) reached around 1.80 million bales till December 2018, as per local sources.

The hike in MSP and the great disturbances in the global currency, the trade war between the US and China has led to disparity in domestic and global prices, and has put the Indian cotton industry at a significant disadvantage. Since December, cotton prices in the domestic market are trading higher than in the global market. Cotton from India has been consistently trading higher by 2-3 cents per pound than the benchmark price in the US. Currently Indian cotton is quoted around 83 cents while US cotton is around 79 cents.



Cotton output in Gujarat is seen declining nearly 50% on year to 5.2 mln bales in 2018-19 (Jul-Jun), according to the second advance estimate of the state farm department. In its first advance estimate in September, the government had projected cotton output in the state at 8.83 mln bales. Below-normal rainfall in key growing regions has resulted in a sharp fall in cotton yield, which is seen falling to 326 kg per ha from 660 kg last year.

As per the latest estimates by Agriwatch, cotton output in country during the season 2018-19 would be around 338.22 lakh bales (of 170 kg each) which is lower compared to 365 lakh bales of last season. AW has reduced the crop estimate for Gujarat to around 92.82 lakh bales (from 108 lakh bales last year), Maharashtra to around 72 lakh bales (83 lakh last year), Telangana and AP by 52.00 lakh and 16.50 lakh bales respectively. The main reason for reduction in cotton crop is that farmers have uprooted more than 50% of their cotton crop after second picking and foregone the third and fourth pickings due to moisture deficiency and pest attacks. Dry spells in the initial stages of the crop, too, led to stunted growth of bolls, were the major reasons to decline in cotton yield in India.

Agriwatch expects imports of cotton during current year may reach 27 lakh bales as against last year's of 15 lakh bales. This is supported by weak global prices, which have touched their lowest levels in more than a year at 72.1 cents per pound for ICE futures by December. The volatility in exchange rate, and expectation of lower output this year leads to higher imports of cotton. Although imports are higher than last year, importers are finding it difficult to locate quality material as good quality cotton of the US, Australia and Brazil has already been sold. Also, exports have declined to 53 lakh bales compared to 70 lakh bales during corresponding period of last year. The reduction in exports is mainly due to stronger Indian Rupee, lower production and weak international prices.

### Cotton Balance Sheet (India):

In Lakh Bales	2014-15	2015-16	2016-17	2017-18	2018-19*	Oct-Dec*	Jan-Mar*	Apr-Jun*	Jul-Sep*
<b>Supply</b>									
Opening stock	33	66.23	36.67	48.04	24.04				
Cotton production	386	332	345	365	338.22				
Imports	14.39	22.79	30.94	15	27	4	6	8	9
<b>Total supply</b>	<b>433.39</b>	<b>421.02</b>	<b>412.61</b>	<b>428.04</b>	<b>389.26</b>				
<b>Demand</b>									
Mill consumption	278.06	270.2	262.66	288	267				
Consumption by SSI	26.38	27.08	26.2	27	27.5				
Non Mill consumption	5	18	17.5	19	19.5				
Exports	57.72	69.07	58.21	70	53	15	25	8	5
<b>Total Demand</b>	<b>367.16</b>	<b>384.35</b>	<b>364.57</b>	<b>404</b>	<b>367</b>				
Ending Stock	66.23	36.67	48.04	24.04	22.26				
Stock to use Ratio	0.15	0.09	0.12	0.06	0.06				

All figures in Lakh Bales (of 170 Kgs. Each) Source: CAI& Agriwatch \*: estimated



As per the latest estimates by Agriwatch, cotton output in country during the season 2018-19 would be around 338.22 lakh bales (of 170 kg each) which is lower compared to production of 365 lakh bales of last season.

Following lower production, imports will rise marginally to 27 lakh bales compared to 15 lakh bales in previous season.

Due to lower opening stock imports, and lower production of cotton availability would be standing lower this season at 389.26 lakh bales compared to 428.04 lakh bales during the previous season.

Total domestic consumption (Including mill, small mill and non-mill consumption) would be around 367 lakh bales compared to 404 lakh bales during the previous season.

Cotton exports are expected to remain lower as that of previous year. It is expected that country would export around 53 lakh bales of cotton in the season 2018-19.

Ending stocks are expected to be around 22.26 lakh bales, it is lower compared to the ending stocks of previous season.

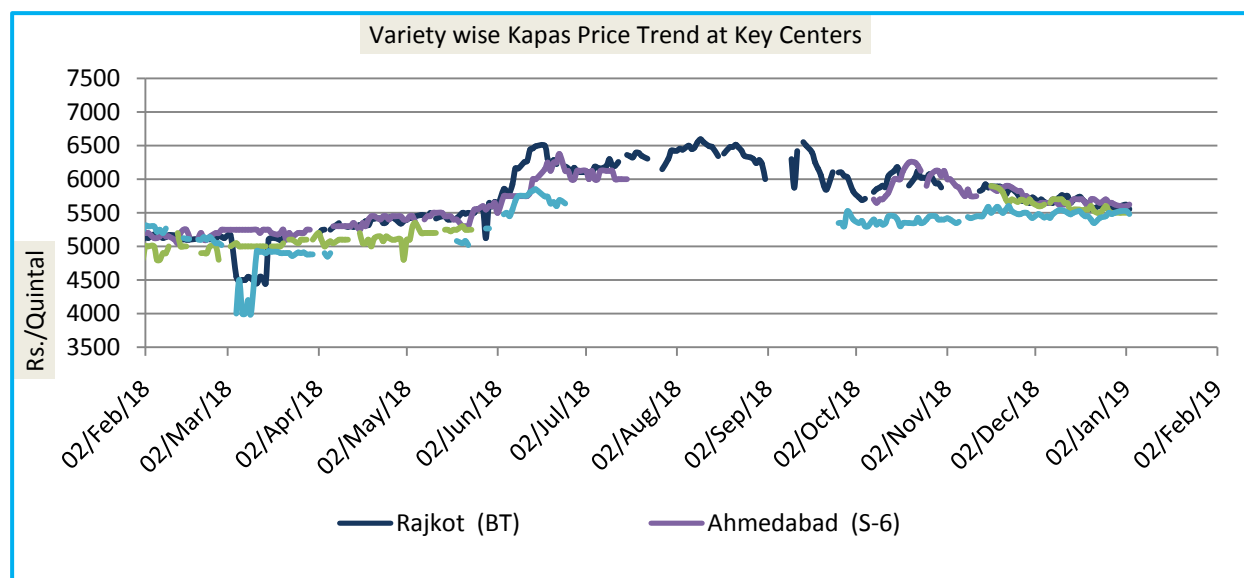
### Domestic Cotton Prices Scenario

#### Domestic Cotton Prices Scenario

#### Kapas (Raw Cotton) Monthly Price Scenario

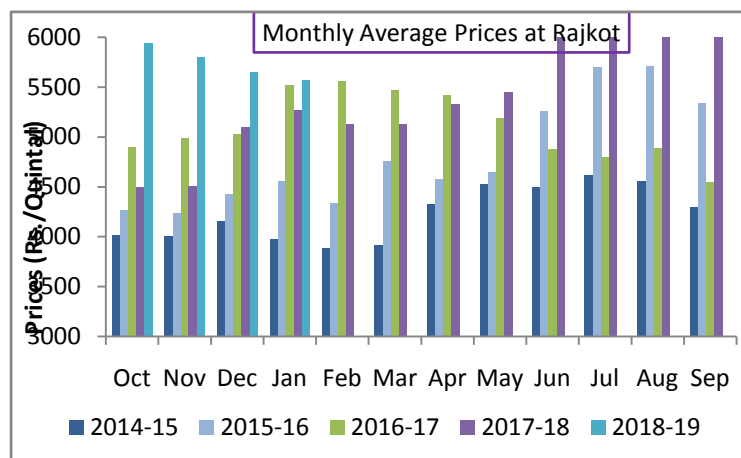
**Monthly Price Review:** monthly kapas average price at Rajkot rose is Rs 5569 /quintal this month.

**Monthly Price Outlook:** Kapas prices are expected to remain range-bound to firm in coming months. The expected range for Kapas at Rajkot is Rs 5500-6350 per quintal for the coming month.





### Kapas Monthly M-o-M Price Scenario

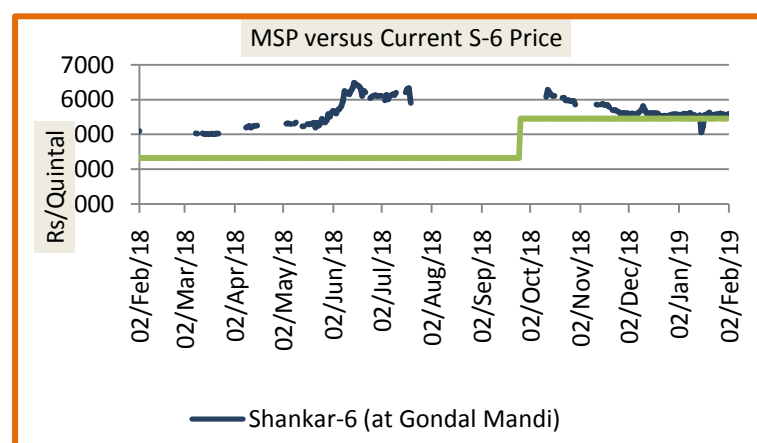


Kapas(seed cotton) prices in country noticed weak tone during the Jan month when compared to the previous month, and the same is ruling higher compared to the prices during the corresponding month of the previous season.

Monthly average price of Kapas at Rajkot remained Rs. 5568 per quintal during Jan, which was Rs. 5654 during previous month and Rs. 5270 per quintal during the corresponding month last year. We expect Kapas prices to remain to Range-bound

in the coming month. The expected price range for Sep month is likely to be Rs 5400-6300 per quintal.

### Spot Price versus MSP

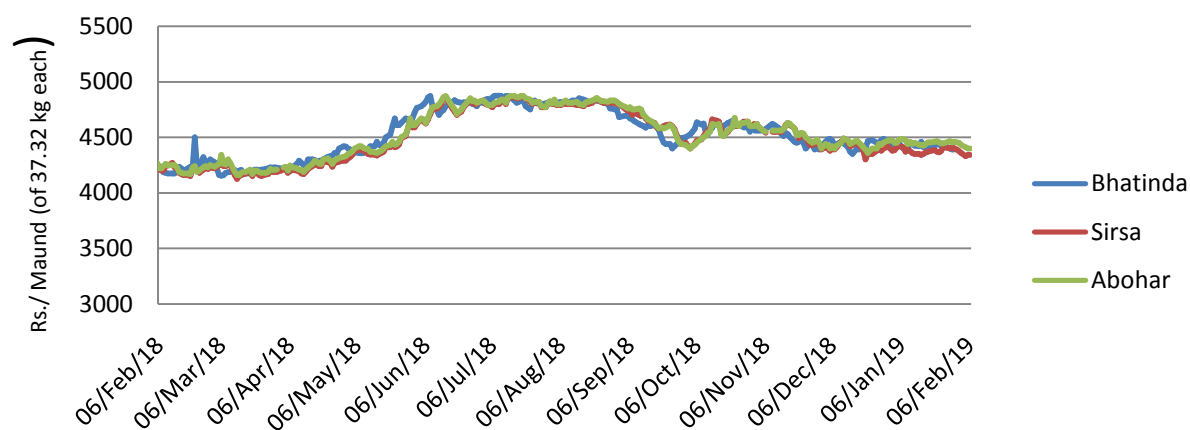


The Kapas prices are ruling above the MSP so far. The gap between the two prices has decreased this month of Jan. The average gap between the prices was Rs 84 compared to Rs 149 a month earlier. This indicates prices are decreasing.

### Lint price Outlook

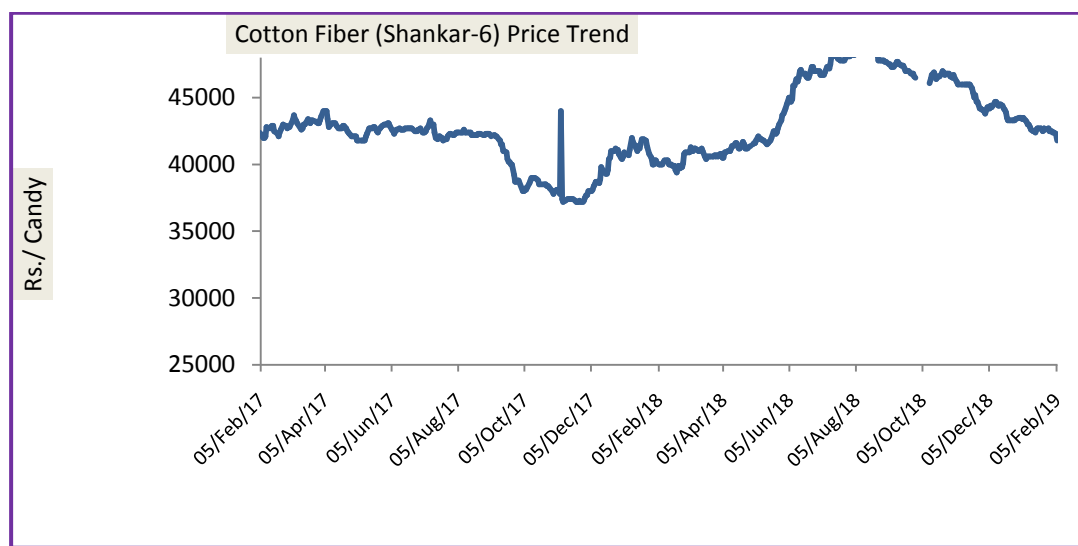
Lint prices remained slightly weak during the month owing to tight tone prevailing in market. Monthly average price of Lint at Sirsa remained Rs 4381 per maund of 37.32 kg each, lower compared to the previous month price of Rs. 4404 per maund.

### Lint Price Trend at Key Centers



### Cotton Fiber price Outlook

Cotton fiber noticed down trend in this month compared to the previous month amid weak demand in domestic and international market monthly average prices noticed weak due to /raising in arrivals, china and US trade war and currency disturbances. Average price was Rs 42820 per candy (of 355.6 kg each) during the month, which was Rs 44041 per candy previous month. and around Rs 40245 per candy during the corresponding month previous season. We expect cotton fiber to remain in range of Rs 40000 -46000 per candy in the coming month candy.



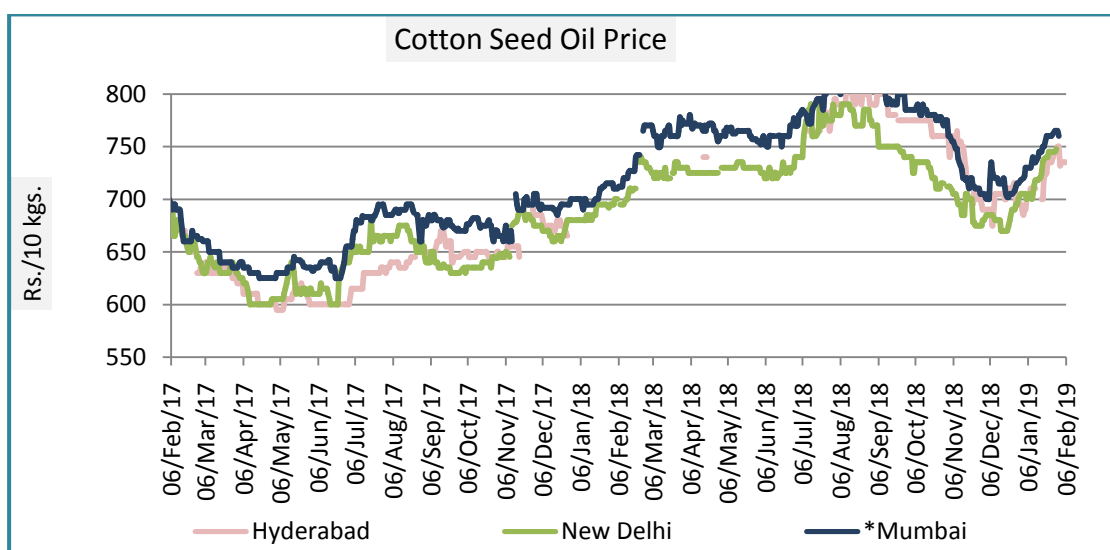


## Cotton Seed Oil and Cotton Seed Oil Cake

### Cotton Seed Oil monthly Price Scenario

Cotton seed oil price noticed firm tone during the month. Monthly average price in New Delhi is Rs 710 per 10 Kg, higher compared to the monthly average price of Rs 677 per 10 Kg in previous month.

Centers	Monthly Average Price as on (Rs/10 kg.)		% Change
	Jan	Dec	
New Delhi	710	677	4.87
Rajkot	718	696	3.16
Hyderabad	717	699	2.58
Mumbai*	735	711	3.38



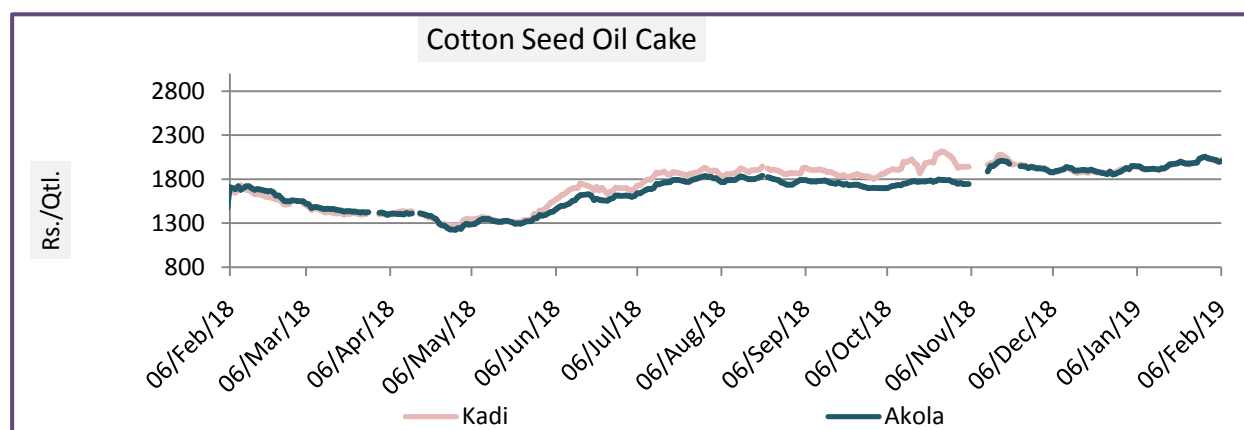


### Cotton Seed Oil Cake monthly Price Scenario

Cotton seed oil cake price noticed firm tone during this Jan month. Monthly average price in Akola remained Rs 1958 per quintal, higher compared to the month average price of Rs 1897 per quintal in the previous month

Centers	Monthly Average Price as on (Rs/quintal.)*		% Change
	Jan	Dec	
Kadi	1958	1892	3.49
Akola	1958	1897	3.22

\*Source: NCDEX



### International Market Scenario

International cotton prices remained weak during the month. Cotlook A index monthly average stood 82.36 at cents/pound this month, which was 85.97 cents/pound during last month

#### Major Market Highlights:

Pakistan scrapped duties on import of cotton for February 1-June 30 to tide over shortage of the crop. In the current year, Pakistan has harvested 10.8 mln bales of cotton, down 25 per cent from initial target of 14.4 million bales. The Pakistan is likely to import 3.5-4 million bales - costing up to \$1.2 billion - as the crop size for season 2018-19 is estimated at 10.8m bales, against the annual demand of around 15m bales. India's cotton exports to Pakistan are unlikely to see a sharp jump, despite the neighboring country scraping import duty, as high domestic prices have made exports uncompetitive. Indian cotton is currently available around 43,000 rupees a candy, while prices in Pakistan are trading at 43,500 rupees per candy.



At global front US China high level talk not able to find any solution so market is disappointed and stayed range bound. ICE cotton futures fell 1 percent on Friday, declining for the first week in three, on a lack of clear signs from the trade talks between the United States and China. The most active cotton contract on ICE Futures U.S. - the March contract – settled down 0.76 cent, or 1.02 percent, at 73.64 cents per lb.

World cotton production in 2018/19 is projected at 118.7 million bales, 4 percent (5 million bales) below last season, as a reduction in area and yield expectations both contribute to the decrease. Global harvested area is forecast at 33.3 million hectares (82.2 million acres) this season, 1 percent lower as area declines in most major producing countries more than offset an increase for Brazil. The global yield is forecast at 777 kgs per hectare (693 pounds per acre), slightly above the 5-year average.

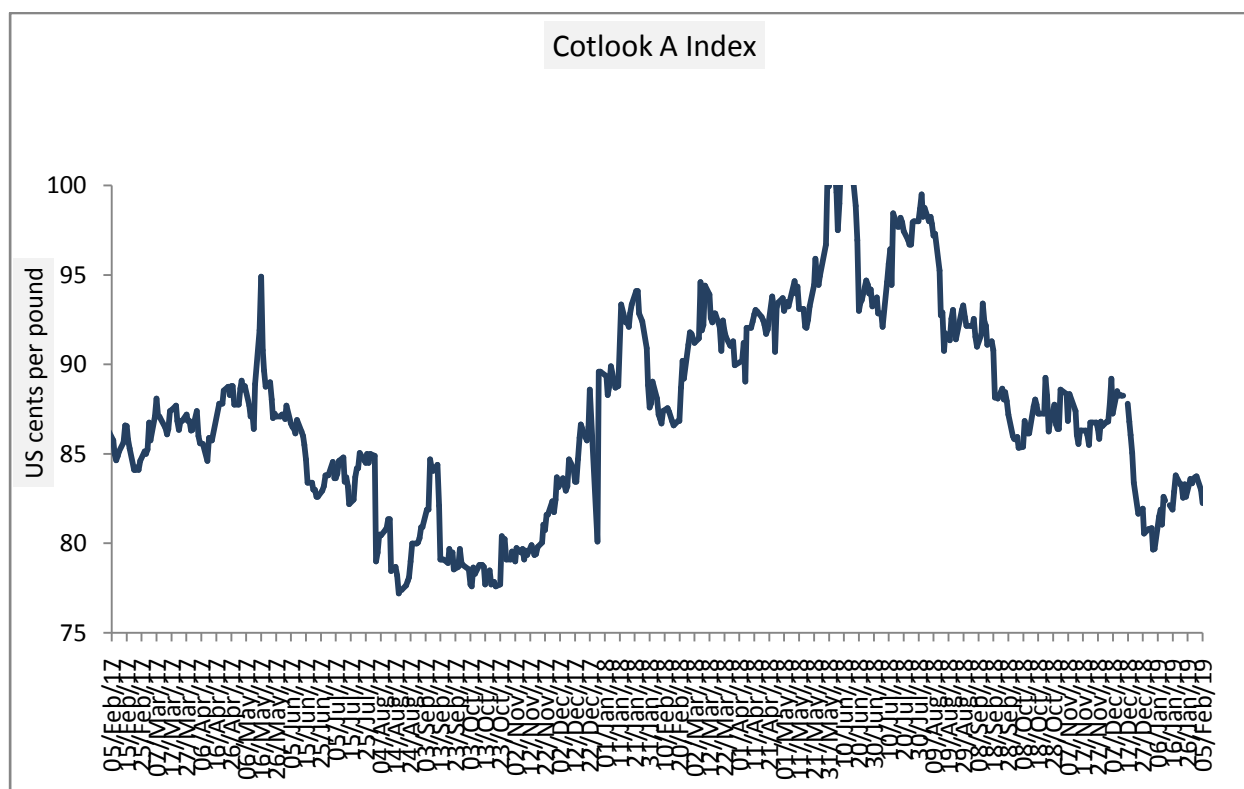
U.S. cotton production is estimated at nearly 18.6 million bales- around 2.3 million bales (11 percent) below the 2017 crop. Planted and harvested area this season are estimated at 14.0 million and 10.4 million acres, respectively; detrimental weather conditions in the Southwest and Southeast this season pushed the national abandonment rate to 26 percent, the highest in 5 years. The 2018 national yield is forecast at 860 pounds per harvested acre, below last season's record of 905 pounds but above the 3-year average of 846 pounds. Upland cotton production is estimated at 17.8 million bales, the second largest in a decade. The extra-long staple (ELS) crop is forecast at 771,000 bales, the largest since 2012's 780,000 bales.

### Cotlook A Index

Cotlook A index remained weak during the Month.

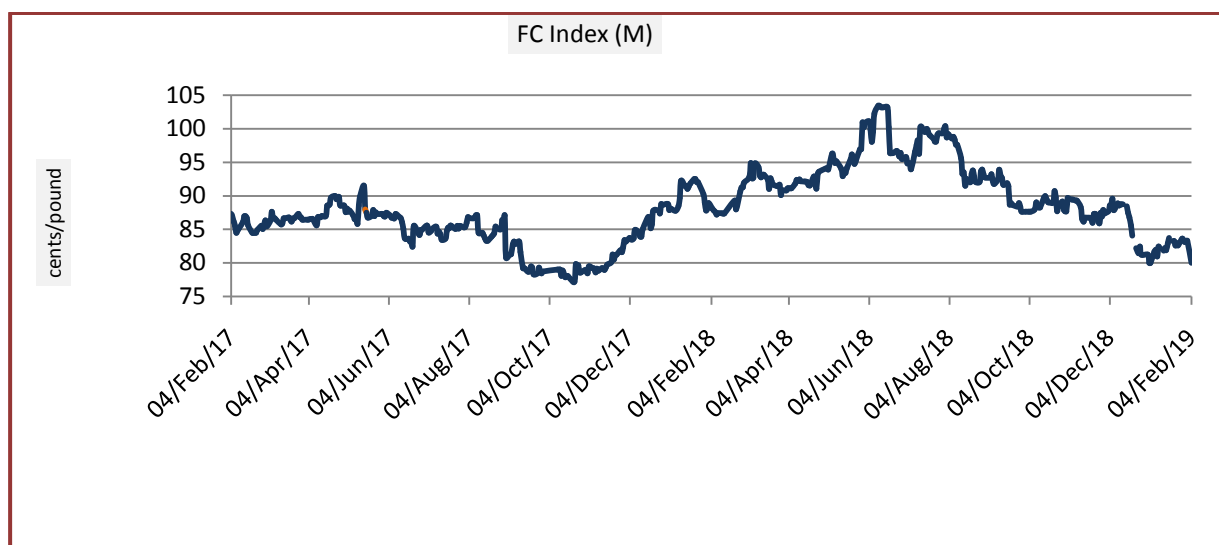
Cotlook A Index	Monthly Average Price as on		% Change
	Jan	Dec	
Prices	82.36	85.97	-4.20
Prices in US cents per Pound			





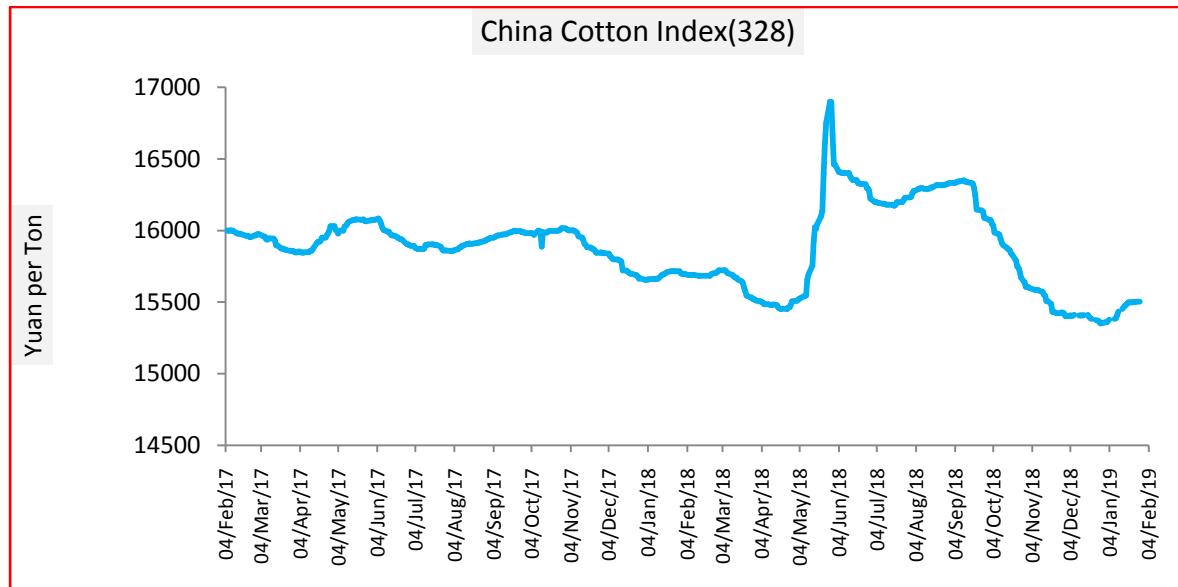
### China Cotton Index and Foreign Cotton Index

Cotton Index	Monthly Average Price as on		% Change
	Jan	Dec	
FC (S)	86.09	90.35	-4.71
FC (M)	82.3	86.02	-4.32
FC (L)	79.21	83.09	-4.67
Prices in US cents per Pound			



China Index remained slightly weak during the Month. CC Index (328) remained 15216 Yuan per ton during the month. Average was 15405 Yuan per ton during previous month.

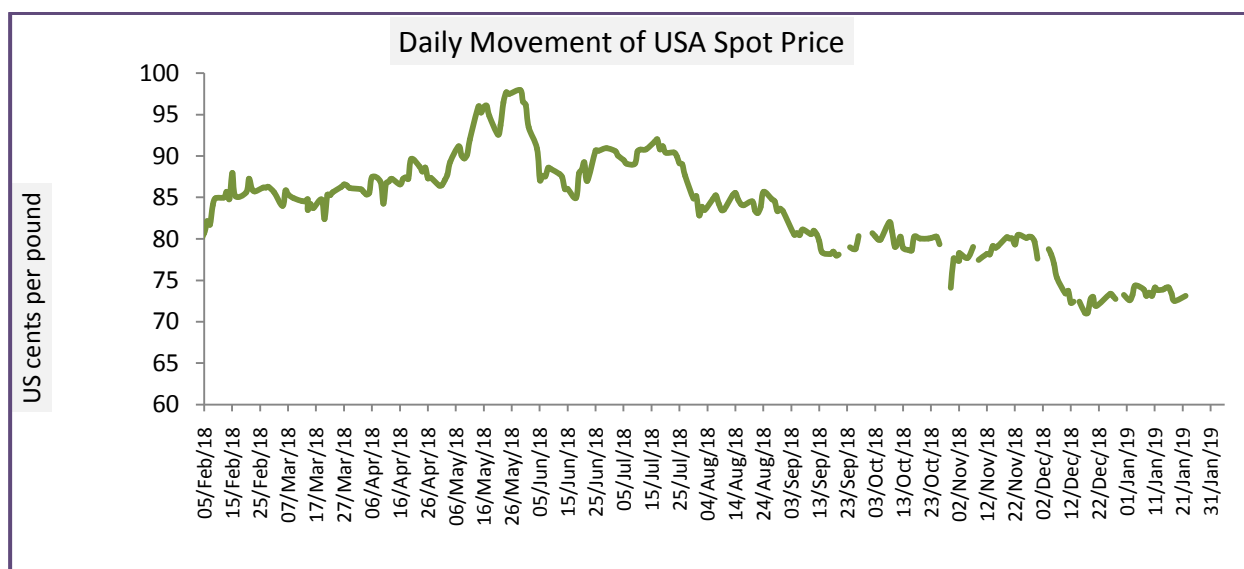
Cotton Index	Monthly Average Price as on		% Change
	Jan	Dec	
CCIndex(328)	15216	15405	-1.23
CCIndex(527)	14127	14442	-2.18
CCIndex(229)	15741	15901	-1.01
Prices in Yuan per ton			



### USA Spot Prices

Cotton was sharply lower last month as overall demand continues to impact the US market. On the other hand, world production and supplies are going lower due to bad weather in the growing season for major producers around the world, including India, Pakistan, and Australia. China had problems with its growing weather, too. Demand for US Cotton has been disappointing, as the weekly export sales reports have shown average demand at best since the start of the marketing year. China has not bought any US Cotton this year and has been active in other markets, especially India. US prices are down and China might start to look at the US crop, but there have been worries about the quality of the US crop due to some extreme growing conditions in Texas and the Southeast over the Summer and Fall. Ideas are that the quality worries have kept some importers of US Cotton away from the market.

USA Spot Prices	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	73.12	78.62	-7.00
Prices in US cents per Pound			



### Pakistan Spot Prices

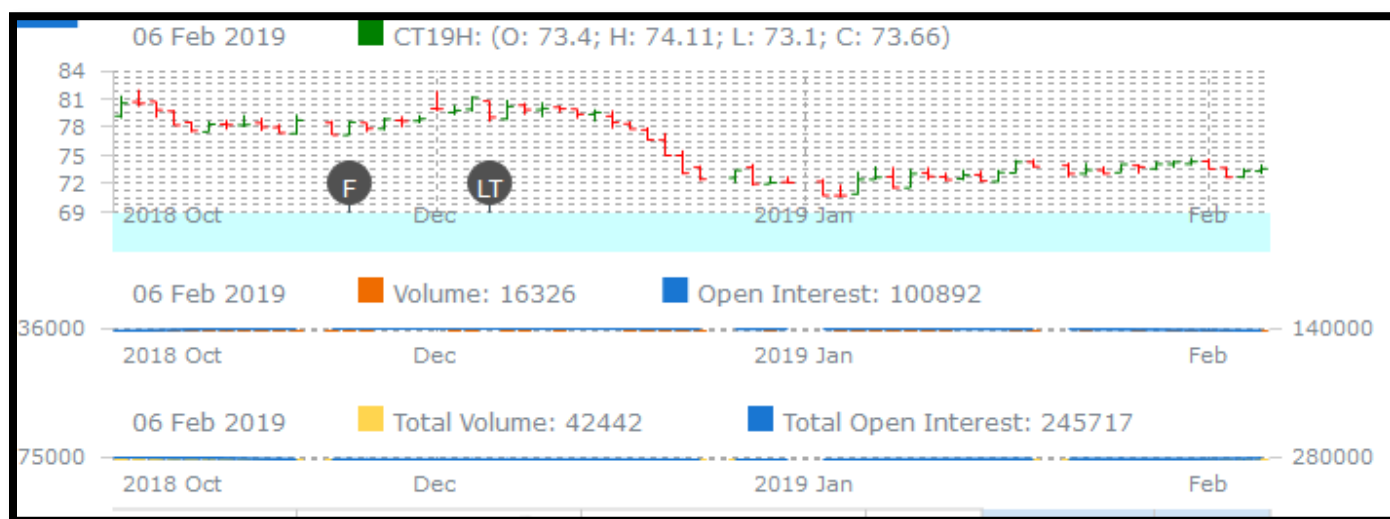
Pakistan scrapped duties on import of cotton for February 1-June 30 to tide over shortage of the crop. In the current year, Pakistan has harvested 10.8 mln bales of cotton, down 25 per cent from initial target of 14.4 million bales. The Pakistan is likely to import 3.5-4 million bales - costing up to \$1.2 billion -as the crop size for season 2018-19 is estimated at 10.8m bales, against the annual demand of around 15m bales. India's cotton exports to Pakistan are unlikely to see a sharp jump, despite the neighboring country scraping import duty, as high domestic prices have made exports uncompetitive. Indian cotton is currently available around 43,000 rupees a candy, while prices in Pakistan are trading at 43,500 rupees per candy.

Karachi Spot Prices	Monthly Average Price as on		% Change
	Jan	Dec	
Prices	8860	8781	0.89
Prices in Rs per 37.32 Kg			



### Monthly Technical Outlook:

### Technical Analysis of Cotton Future (March'19 Contract) at ICE



- Candlesticks denote bearish movement in the market.
- Volume increased while Open Interest decreased.
- We expect cotton prices to remain sideways to firm in the coming month.

### Expected Price Range During Coming month

Expected Trend	Expected Trading Band
Range bound to Bearish Momentum	70-75

### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
70.00	68.00	95.00	90.00

Figures in US cents/pound



### Technical Analysis of Cotton Future(Oct contract)

Commodity: Cotton  
Contract: Feb

Exchange: MCX  
Expiry: Feb 28, 2019

#### Cotton

##### Technical Commentary:

- On the technical front, the cotton 29 mm Feb contract at MCX shows some recovery. However, still the trend is down as prices are trading below 20-day EMA on the daily chart
- Candlestick pattern of weekly chart shows bearish movement in the market on low selling pressures.
- Low prices and high volume indicate short build up phase of the market.
- Oscillator like RSI fell and indicates further fall in the market.
- We will advise traders to buy today.



Strategy: **Buy**

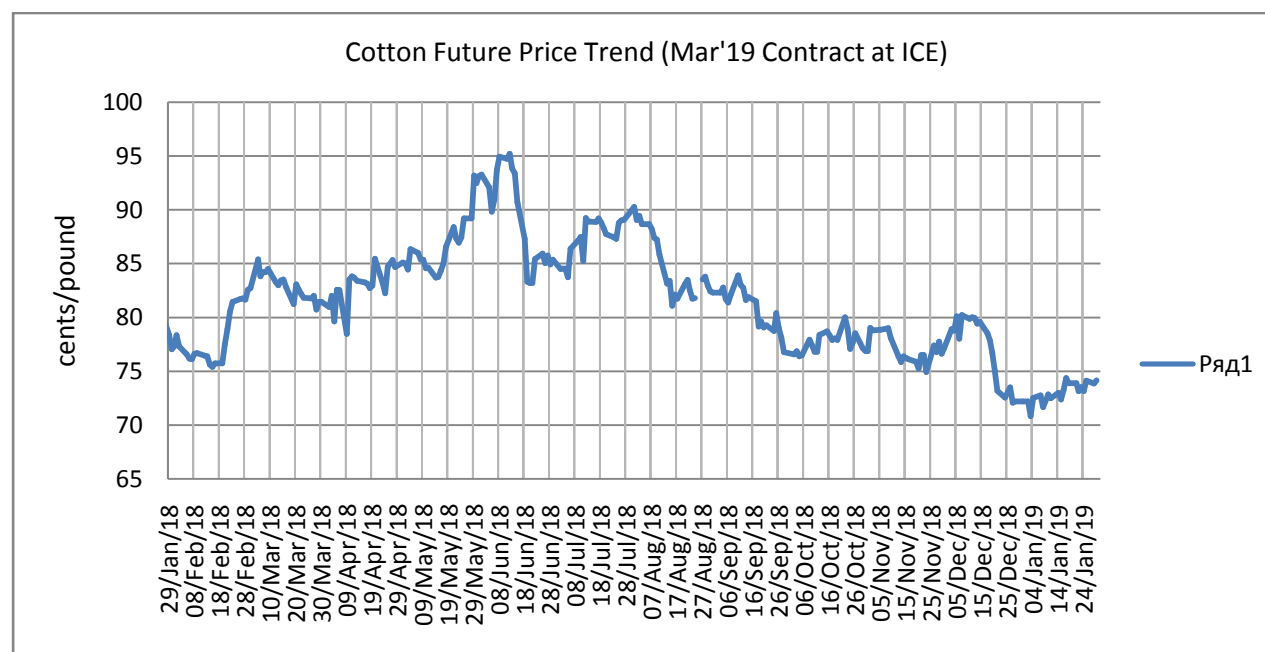
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Cotton	MCX	Jan	20400	20500	20670	22000	22200
Intraday Trade Call			Call	Entry	T1	T2	SL
Cotton	MCX	Jan	<b>Buy</b>	Above 20500	20800	20900	20320



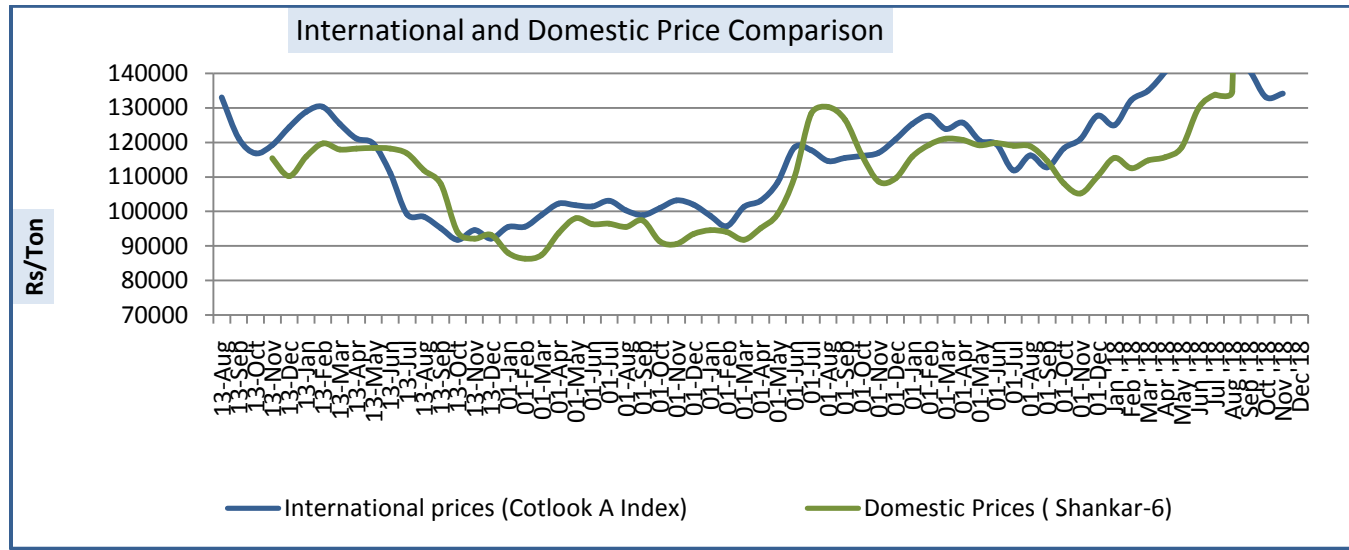
### Cotton Future Prices

Cotton Prices in Future Contract on ICE						Prices in cents/Lb	
Contracts	29_Jan_2019	28_Dec_2018 (1 month ago)	29_Nov_2018 (3 month ago)	29_Aug_2018 (6 month ago)	29_Jan_2018 (Year Ago)	% Change over a month	% Change over previous year
01-Mar-19	74.15	73.18	72.19	83.21	78.36	1.33	-5.37
01-May-19	75.48	74.62	73.49	83.63	79.19	1.15	-4.68
01-Jul-19	76.77	75.96	74.52	84	79.79	1.07	-3.78
01-Oct-19	74.82	74.12	73.39	82.97	75.18	0.94	-0.48
01-Dec-20	74.23	74.06	73.23	82.76	74.91	0.23	-0.91
			74.19				

### Future Price Trend (Active Contract):



### International and Domestic Price Comparison



### Domestic Cotton Prices and Arrivals at Key Centers

Commodity	Kapas		Monthly Prices Average (Rs./Quintal)		Change
			Jan,2018	Dec,2018	
Gujarat	Ahmedabad	Shankar-6	5604	5605	-1
	Gondal	Shankar-6	5534	5503	31
	Rajkot	B.T. Cotton	5568	5664	-96
	Patan	B.T. Cotton	5583	5875	-292
	Kadi	B.T. Cotton	5695	6458	-763
	Deesa	B.T. Cotton	5109	5075	34
	Dhrol	B.T. Cotton	5307	5177	130
Punjab	Fazilika	B.T. Cotton	NA	5559	0
	Muktsar	B.T. Cotton	NA	5862	0
Haryana	Bhiwani	B.T. Cotton	5654	5313	341
	Bhiwani	Desi	5700	5293	407
	Adampur	B.T. Cotton	5479	5551	-72
	Fatehabad	B.T. Cotton	5478	5386	92
	Jind	B.T. Cotton	5671	5204	467
	Uchana	B.T. Cotton	5459	5320	139
	Dabwali	B.T. Cotton	5393	5445	-52
Rajasthan	Hanumangarh	B.T. Cotton	5466	5485	-19
	Rawatsar	B.T. Cotton	5417	5861	-444
Madhya Pradesh	Khandwa	Mech-1	5745	5857	-112



	Khargaon	Mech-1	0	0	0
Maharashtra	Amravati	Mech-1	5436	5630	-194
	Jamner	Medium Staple	4432	4696	-264
Uttar Pradesh	Hathras	B.T. Cotton	5880	5880	0
	Hathras	Desi	5791	5791	0
Telangana	Adilabad	Un-Ginned	5324	5277	47
Andhra Pradesh	Guntur	Un-Ginned	NA	6035	
	Kurnool	Un-Ginned	NA	5417	#VALUE!
	Krishna	Un-Ginned	NA	NA	#VALUE!
	East Godavari	Un-Ginned	NA	NA	#VALUE!
Karnataka	Bijapur	Bunny	5889	5980	-91
	Hubli	D.C.H.	6414	4734	1680
	Hubli	B.T. Cotton	5759	5968	-209
	Raichur	H-44 Cotton	5588	5738	-150
Commodity	Lint		Monthly Prices Avg. (Rs./Maund of 37.32kg each)		
State	Centre	Variety	Jan,2018	Dec,2018	Change
Punjab	Bhatinda	J-34	4437	4337	100
	Abohar	J-34	4453	4623	-170
	Mansa	J-34	4418	4316	102
	Muktsar	J-34	4271	4271	0
	Fazilika	J-34	4309	4309	0
Haryana	Sirsa	J-34	4381	4296	85
Rajasthan	Sri-Ganganagar	J-34	4532	4531	1

#### Cotton Arrivals in Key Centers:

Commodity	Kapas		Monthly Sum Arrivals (Quintal)		
State	Centre	Variety	Jan,2018	Dec,2018	Change
Gujarat	Ahmedabad	Shankar-6	1091400	1130500	-39100
	Gondal	Shankar-6	62343	73559	-11216
	Rajkot	B.T. Cotton	107000	131120	-24120
	Patan	B.T. Cotton	113199	269417	-156218
	Kadi	B.T. Cotton	735000	575000	160000
	Deesa	B.T. Cotton	120	1210	-1090
	Dhrol	B.T. Cotton	8356	13542	-5186
Punjab	Fazilika	B.T. Cotton	NA	71000	#VALUE!
	Muktsar	B.T. Cotton	0	0	0
Haryana	Bhiwani	B.T. Cotton	42000	19125	22875
	Bhiwani	Desi	NA	14700	#VALUE!
	Adampur	B.T. Cotton	15512	32143.6	-16631.6
	Fatehabad	B.T. Cotton	12500	75190	-62690

	Jind	B.T. Cotton	27313	16375	10938
	Uchana	B.T. Cotton	92720	64000	28720
	Dabwali	B.T. Cotton	9105	65550	-56445
Rajasthan	Hanumangarh	B.T. Cotton	52400	90268	-37868
	Rawatsar	B.T. Cotton	47700	224820	-177120
Madhya Pradesh	Khandwa	Mech-1	0	0	0
	Khargaon	Mech-1	0	0	0
Maharashtra	Amravati	Mech-1	306000	304325	1675
	Jamner	Medium Staple	NA	NA	#VALUE!
Uttar Pradesh	Hathras	B.T. Cotton	100668	100668	0
	Hathras	Desi	64931	64931	0
Telangana	Adilabad	Un-Ginned	183427	2541	180886
Andhra Pradesh	Guntur	Un-Ginned	1254	1254	0
	Kurnool	Un-Ginned	15346	15346	0
	Krishna	Un-Ginned	NA	NA	#VALUE!
	East Godavari	Un-Ginned	NA	NA	#VALUE!
Karnataka	Bijapur	Bunny	5532	24357	-18825
	Hubli	D.C.H.	160	1027	-867
	Hubli	B.T. Cotton	2879	NA	#VALUE!
	Raichur	H-44 Cotton	13351	12293	1058
Commodity	Lint		Monthly Sum Arrivals (Quintal)		
State	Centre	Variety	Jan,2018	Dec,2018	Change
Punjab	Bhatinda	J-34	164050	170000	-5950
	Abohar	J-34	24480	24990	-510
	Mansa	J-34	21675	18785	2890
Haryana	Sirsa	J-34	27710	31790	-4080
Rajasthan	Sri-Ganganagar	J-34	63500	72000	-8500

## Cotton Association of India Cotton Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				Jan ,2019	Dec,2018	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40272	40838	-566
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40772	41338	-566
J-34(202)	26mm	3.5 - 4.9	23	41624	41813	-189
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	41576	42559	-983
Shankar-6(105)	29mm	3.5 – 4.9	28	42820	44042	-1222
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44340	45217	-877



MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45420	46042	-622
DCH-32(107)	34mm	3.0 - 3.8	33	55404	57788	-2384

**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 Ltd.