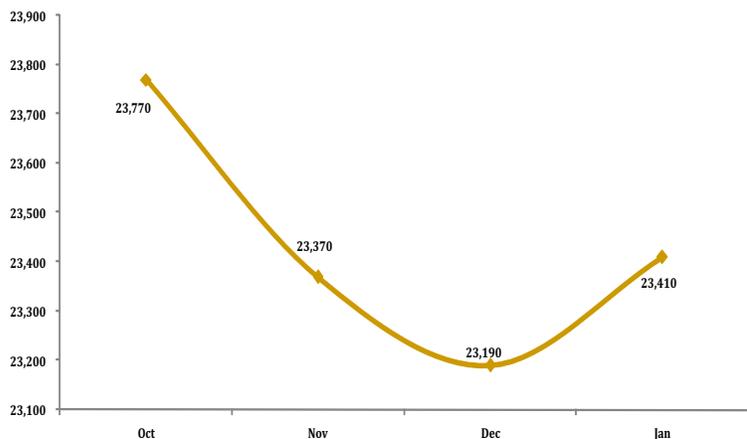


Monthly Report On Cotton, Chana, Guar Seed & Guar Gum August 2018



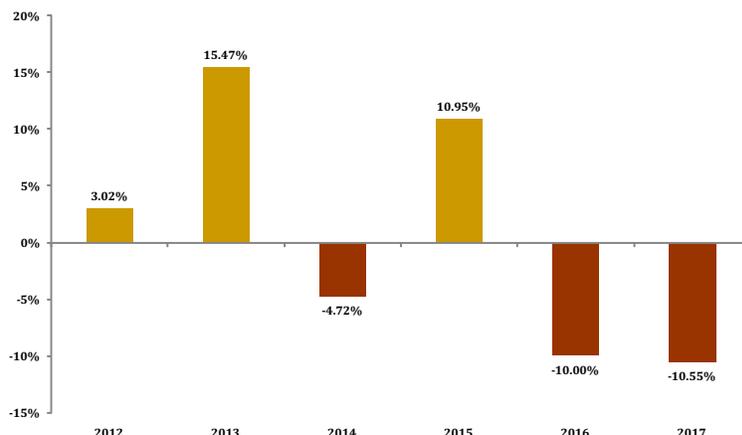
Forward curve of Cotton futures (MCX)



Source: MCX

Closing as on 3rd August, 2018

Historic returns of Cotton MCX futures during month of August



Source: Reuters & SMC Research

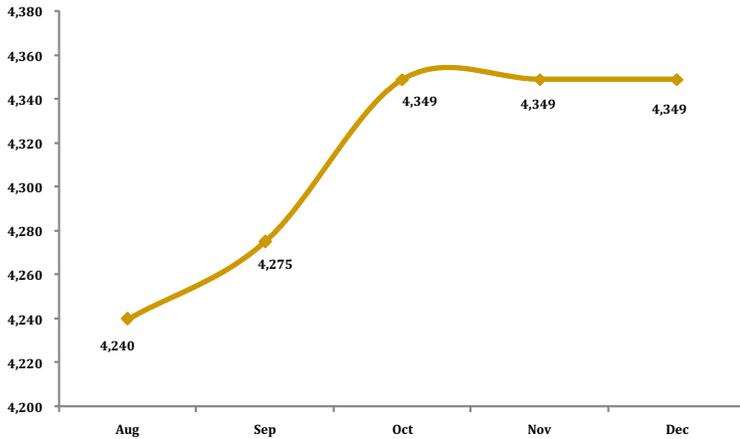
S2	S1	Pivot	R1	R2
22040	23080	23620	24660	25200

Fundamentals

- If we take a closer look on the charts then, a bullish trend persist in Cotton futures (October) on MCX as it has the prospective to test 24500-25000 levels, taking support near 235000 levels. The immediate resistance is 24200 levels.
- According to USDA, for 2018/19, India is projected to produce 28.7 million bales of cotton, 1 percent below 2017/18. Although yield is expected to rebound above the 5-year average, a 4-percent reduction in areas forecast to reduce the crop in 2018/19.
- Cotton prices are mostly flat to down in major markets of central and south India as demand was said to be limited. The volume of business is very thin mainly due to the fag end of the season amid thin arrivals. Major mills have already procured sufficient stocks of cotton to meet their demand, while only needy buyers are active, but buying in very low quantity due to expectations of some more correction in domestic and International markets.
- The buyers are also on the sideline as they want to have clear idea about the next crop and it could take at least one month to guess about the production as sowing is still in progress.
- As per the latest Kharif sowing data from the Ministry of Agriculture, cotton acreage reached 109.79 lakh hectares so far, down 3.98 percent from 114.34 lakh hectare achieved in the same period last year.
- Many parts of Gujarat and Marathwada have not received beneficial rainfall and there could be some stress to cotton crop expected if rain doesn't arrive in next one weeks.
- Further the new crop supply in north India is expected to start from next month and may keep a lid on rise.
- Sellers having cotton are not in panic, but now they are expected to sell most of the stock by next couple of weeks, ahead of new crop supply from first or second week of September.
- On the international market, cotton futures on ICE (Dec) is expected to witness a consolidation in the range of 85-90 cents per pound. The upside may remain capped due to ongoing trade war between U.S and China, which will continue to shake the market either side but within tight range. Any decisive trend is likely only on technical breakout of either level 84 or 90 cents per pound. Market players will keep a close eye on USDA supply-demand report which is scheduled to release on August 10, 2018.

- The fundamentals of cotton in the international market shows:
 - Cotton area in 2018/19 is projected to decrease in major producing countries including India (11.9 million hectares, down 3%) and the USA (4.25 million hectares, down 5%), although it should remain stable in China at 3.3 million hectares.
 - Cotton demand is strong, with consumption projected to increase 4% to reach an all-time high of 27.5 million tonnes in 2018/19.
 - Global production for the 2018/19 season is currently projected at 25.9 million tonnes, which would represent a 4% decrease. Global consumption, on the other hand, is currently projected to increase 4% to 27.5 million tonnes.
 - With global consumption at an all-time high, pressure on stocks is expected to reduce global reserves by 1.6 million tonnes to finish the 2018/19 season at 17.7 million tonnes. Stocks in China are projected to decrease for the fifth consecutive year to 7.5 million tonnes, while stocks outside are expected to remain stable at 10.1 million tonnes.
- Although China's tariffs on US cotton helped drag international prices down from June's season-high of 101.7 cents per pound, strong demand in Asia and Southeast Asia has helped them rebound by the beginning of August. Usually, high prices drive an increase in cotton cultivation, but less-than-ideal environmental conditions and a lack of available water are projected to cause a reduction in planted area for many of the world's top producers in 2018/19.
- Sour trade relations between China and the USA show little signs of improving, and could even deteriorate further in the near term, potentially causing major shifts in global trade patterns. China's 25% premium could prompt the USA, the world's largest exporter, to seek new markets for its fibre, while other major exporters such as Brazil are expected to fill the void by increasing their shipments to China, the world's largest importer.
- After dropping from a season-high of 101.7 cents per pound in mid-June to 92 cents per pound in early July, prices have bounced back and remain higher than the season average of 87 cents per pound. The counter is finding it very difficult to break the technical resistance of 90 cents pound. The market sentiments remained shaky since July amid trade war, which has now escalated as U.S and China are gearing up for imposing tariffs on more goods and thus market sentiments as a whole are very much nervous despite some positive fundamentals.
- China is preparing to retaliate in the escalating trade war with tariffs on about \$60 billion worth of U.S. goods. The import taxes would range in rates from 5 percent to 25 percent, China's Ministry of Commerce said in a release on its website. There are four lists of goods, one for each of the rates proposed. Many of the goods are agricultural-related, with others on various metals and chemicals.
- U.S. cotton weekly export sales for current marketing year 2017-18 (Aug-Jul) as on week ended July 26 stood higher 173% week-on-week at 22,241 Running Bales (RBs), whereas shipment was slow at 265,315 Rbs, down 15% from a week ago. Cancellation were lower at 3,500 RBs. Total shipment now reached at 15.54 million bales, which is 96% of USDA's target of 16.20 million bales, which is unlikely to meet as only one week left for the current marketing year to end. Outstanding numbers are at 1.87 million bales (11.5%). With four days of data to go, the final export number will likely be at around 15.85 million bales, or 0.35 million bales shy of the USDA number.
- CFTC COT REPORT: Trade shorts net positions for the week ended July 31 increased week-on-week at 17.69 million bales. Meanwhile, hedge funds and speculators too have increased net long positions to 8.05 million bales and 2.09 million bales. ades shorts may be adding positions with expectations that intensifying trade war between U.S and China will provide the gateway for them to exit, whereas bulls are expecting bullish movement ahead amid expectations of downward revision by USDA for production outlook in August release due to crop concern in many key producing regions followed by robust demand. The other reasons that are supportive for bulls are higher unfixed on call sales, forecast of lower stock outside China.

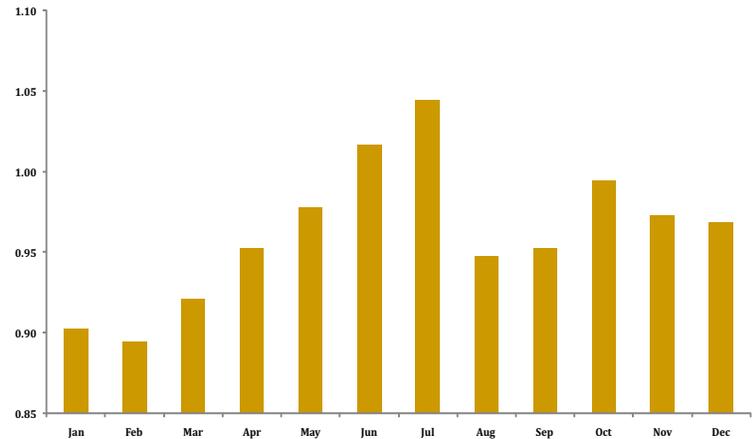
Forward curve of Chana futures



Source: MCX

Closing as on 3rd August, 2018

Chana futures Seasonal Index



Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
3167	3710	4050	4593	4933

Fundamentals

- **The upside rally in chana futures (September) may witness a halt facing resistance near 4390 levels. In days to come, a consolidation can be seen in the range of 4100-4400 levels.**
- On the spot markets, chana prices are trading with a weak bias weighed by slow demand from millers amid poor enquiries in chana dal from consumption centres. Buyers are hesitant to make bulk deals at higher level as prices at Indore market during July month soared by over 18%.
- On the spot markets of Indore poor offtake in chana dal is being seen, which has prompted millers to wait and watch.
- Huge stock of 28 lakh tonnes of chana lying with Nafed & they have not so far not made clear about liquidation policy when and at what price they will auction chana and thus market sentiment is nervous.
- The government is planning a mega sale of pulses to liquidate large stock after a bumper pulses output and piling stocks of pulses procured from agencies like Nafed in the last two years. Under this mega sale, the Centre will provide pulses, especially arhar and gram (chana), to states at Rs 35 per kg compared to the average cost of procuring pulses of Rs 50 per kg (for Nafed).
- However, chana fundamentals are positive as imports of chana and matar have been restricted. The key factor that will support is import curb on matar, which had significantly weighed on chana prices in recent years as large domestic consumption shifted to cheaper matar, but demand is likely to move back to chana again. India imported around 9.81 lakh tonnes of chana and 28.77 lakh tonnes of matar from various destinations in FY 2017-18.
- The market participants are also keeping a close watch on the sowing pace of pulses this Kharif season. As per the agriculture ministry's data, total area sown under pulses has reached 115.57 lakh hectare as on August 3 in the 2018-19 Kharif season, from 120.27 lakh hectare in the year-ago period.
- In news, the government has extend by 45 days the deadline for imposition of higher customs duties on 29 products, including almond, walnut and pulses, imported from the US. The duties would now come into effect from September 18, according to a notification of the Finance Ministry. As per the notification, duty on chana and kabuli chana was to be hiked to 70 percent. Levy on masoor (lentils) was to be hiked to 40 percent.

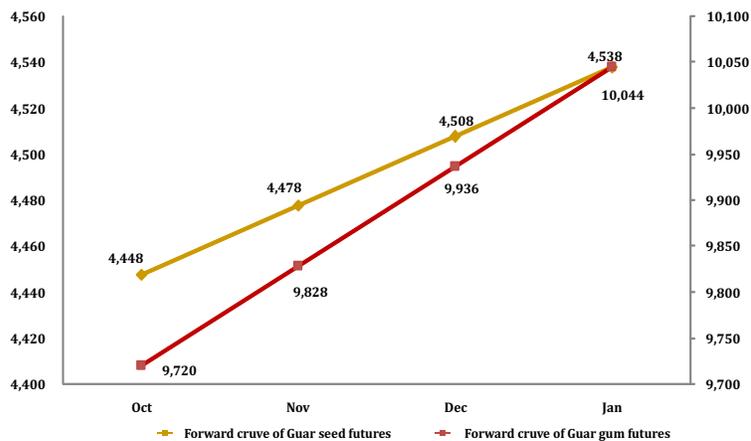
CHANA (SEPTEMBER)

Pulses (Chana, Yellow Pea and Masoor) stocks (approximately) at the various ports of the country as on July 26, 2018

Commodity	Port	ETA	Quantity In MT
Chickpea	Mundra	Inside Port	62371
Chickpea	Mundra	Agri Park	5450
Chickpea	Tuna		12382.955
	Total		80203.955
Yellow Pea	Mumbai	Grain Depot	3408.660
Yellow Pea	Mundra	Inside Port	71391
Yellow Pea	Mundra	Agri Park	89169
Yellow Pea	Hajira		34653.286
Yellow Pea	Dahej		4619
Yellow Pea	Kandla		7045.043
	Total		210885.989
Masoor	Mumbai	Grain Depot	3640.510
Masoor	Mundra	Agri Park	15400
Masoor	Mundra	CWC	30000
Masoor	Hajira		5753.850
Masoor	Tuna		12198.605
	Total		66992.965

GUAR SEED & GUAR GUM (OCTOBER)

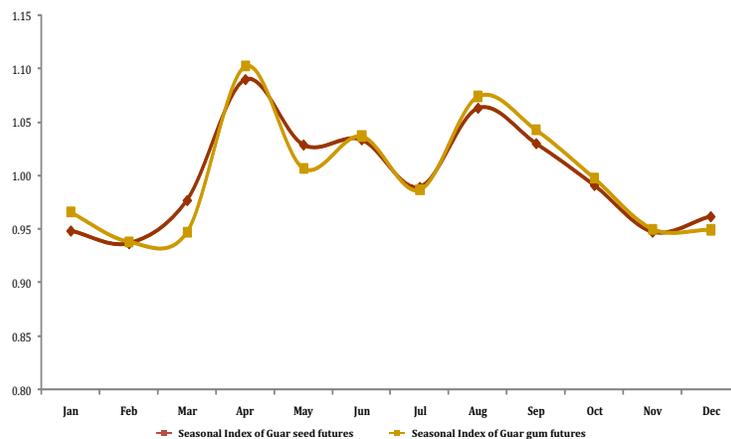
Forward curve of Guar seed & Guar gum futures



Source: NCDEX

Closing as on 3rd August, 2018

Seasonal Index of Guar seed & Guar gum futures



Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
3612	4032	4247	4667	4882
7574	8639	9188	10253	10802

Fundamentals

- **Guar seed futures (October) is expected to trade with an positive bias & a lower levels buying may again emerge near 4135-4100 levels. However, the upside may get restricted near 4600 levels.**
- **Guar gum futures (October) will possibly trade with an upside bias in the range of 8900-10500 levels.**
- The overall fundamentals of guar are supportive on the back of rising export demand and tight supply as stockiest is holding back stocks, expecting more gains ahead.
- Exports of guar registered near 1.77% growth in dollar terms to \$1.84 billion during the April-June quarter over the corresponding period last year, according to the latest numbers from the Agricultural and Processed Foods Export Development Authority (APEDA).
- Reports of largescale damage to crops due to heavy rains in the key producing belts are also supporting sentiments.
- Guarseed acreage in Rajasthan, largest growing state in the country has increased to 26.12 lakh hectares till July 30 as against 23.90 lakh hectare during the same period previous year. As per the MeT department records, total 227.6 mm rainfall has been recorded in Rajasthan between June 1 and July 31 which is 13 percent more than the normal rainfall of 201.3 mm. While for the week ended July 25, Rajasthan recorded 74 percent more rainfall.
- Moreover, guarseed stock is depleting at faster pace due to rising export demand in Guargum and thus guarseed prices have witnessed good rise. Guarseed ending stock by September 31, 2018 of the current season 2017-18 (Oct-Sept) in the country is projected somewhere between 4-5 lakh tons, which could be lowest in recent years.
- Going ahead, guar prices will take cues from the see-saw crude oil prices. The average crude oil prices could witness high volatility because global economic developments and geopolitical events in the coming months have the potential to push oil prices higher or lower than the current STEO price forecast. Uncertainty remains regarding the effect of U.S. sanctions on Iran and the degree to which sanctions will take oil off the market.
- U.S. energy companies last week cut oil rigs for a second time in the past three weeks as the rate of growth has slowed over the past couple of months with recent declines in crude prices. Drillers cut two oil rigs in the week to Aug. 3, bringing the total count down to 859.
- EIA forecasts that total U.S. crude oil and petroleum product net imports will fall from an annual average of 3.7 million b/d in 2017 to an average of 2.4 million b/d in 2018 and to an average of 1.6 million b/d in 2019, which would be the lowest level of net importssince 1958.
- As per NCDEX Circular, position limits for guar seed have been cut to 160,000 tn from 180,000 tn for members and to 16,000 tn from 18,000 tn for clients. For guar gum position limits have been revised to 24,000 tn from 28,000 tn for members, and to 2,400 tn from 2,800 tn for clients.

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