



GUJCOT TRADE ASSOCIATION

ANNUAL REPORT – (2018-2019)

The Season 2018 -2019 started with bullish sentiment in India. Indian cotton crop was predicted 343 lakh bales at the start of the season against 365 to 375 lakh bales of season 2017-2018. Opening stock was low and mills requirement of new cotton was high. With bull sentiment season touched double top at 47,150 on 15th October at the start of the season.

As arrival picked up market could not sustain bull run. Though mills and trade agreed with short production, market started to fall on the full flow of arrival. By the start of November Indian basis went up to nearly 600 and forward basis was near to 700 on. MNCs started selling and due to bullish sentiment Indian mills and ginners also bought forward from merchants. In this situation those who should buy had sale on their book, and ginners who should have sale on book were long on book. To reverse this position both buyers and sellers had to double their net reverse business due to which market touched new bottom of 42,150 on Feb-27.

When kapas price bottomed and most of the big supply was over, that was the right opportunity to go long. In absence of low quality and low rate availability of kapas to reduce cost and majority of ginning factories were working and very low Indian basis, it was real opportunity for go long in last week of the February.

Due to U.S. China trade war yarn off take was low and market felt cash crunch which resulted in reduction of consumption and due to high Indian basis mills booked cheaper imported cotton. By August market started falling which gave seasonal low of 40,900 on 25-09-2019 and season and ended holding 41,000 levels.

Quote and Conclusion

Indian cotton was flat highest on 15-10-2019 but as basis was just 2.76 cent on to NY near future.

Indian cotton was the cheapest by basis on 5-Dec at -0.77 cent to ICE near future but flat was 44,400 and Indian cotton was the costliest on 21-June at 22.44 cent basis when flat price was 45,600.

ICE cotton near future touched top at 81.15 to low at 51.82 during the season.

Hope of trade truce between US-China created some up trends and negative news created down trends. But overall market saw price declining journey throughout the year.

- Supply interrupted Bull Run has short life while demand driven Bull run may sustain for a long time.
- When there is no one in the opposite trend, that trend will be over soon.
- Decentralized stock does not look big in quantity, but gives panic when sentiment changes.
- History says that when imported cotton in big quantity unloads at Indian port, Indian physical cotton gets lower than imported cotton.

At higher Indian basis and on regular import Indian stockiest and ginners were not able to change their preset mindset. Also delayed monsoon and fear of weight shortage in stock cotton which tempted ginners to hold on to their stocks proved suicidal.

Tight Balance sheet does not matter a lot but what really matters is Indian Basis.



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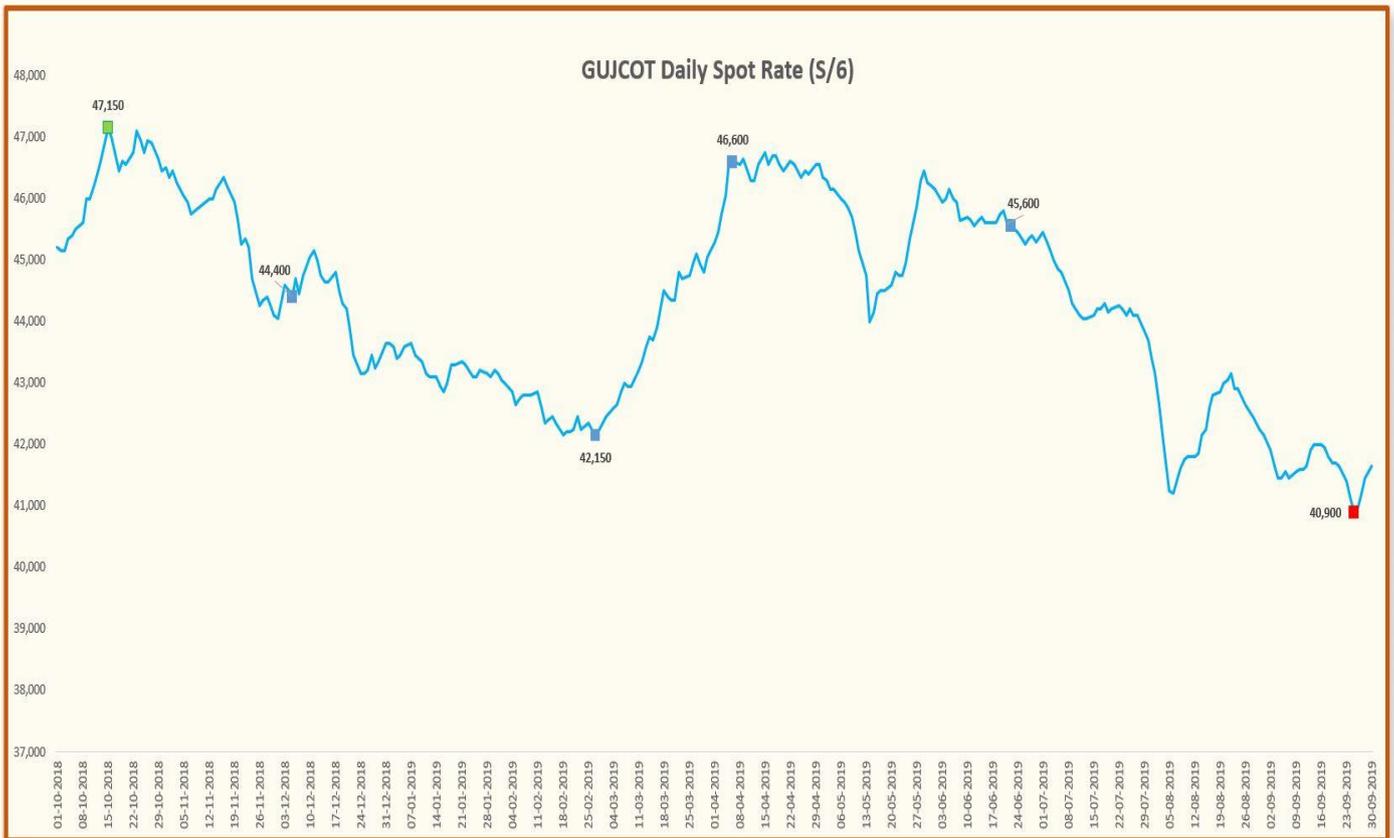
Supply is not the only Barometer.

Demand is the key factor.

National and International political situation also affects.

Market Finds its own way.

Thus season 2018/2019 has given some opportunities but more pain to all stakeholders. We might learn some lesson from the past year and in new year we should calculate world fundamentals, import and export parity by basis and also uncertain risk of political intervention. It seems that in new season CCI may do big purchases at MSP. We should remain cautious and learn to calculate all fundamentals to avoid any big stress. Gujcot wish you all prosperous and good earnings for the new 2019/2020 season.





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