

Cotton Domestic Fundamentals:

Cotton prices continued to remain mixed on Saturday as domestic demand remained dull in the markets. However, arrivals have started to flow in which may restrict further upside. Sources added that this year we could continue to see the supply and demand mismatch as production will be higher at 350 lakh bales but demand will remain sluggish from the industries due to the losses incurred last year. High inflation and slower economic growth will also reduce the growth in demand. Exporters are waiting for prices to fall and for new quality arrivals which may continue to drag markets lower.

Cotton Domestic Futures Market:

NCDEX Kapas April 2012 contract finished weak at Rs. 735.3 per 20 kg, lower by Rs. 9.9 per 20 kg against previous close price. Rise in open interest amidst falling prices suggest that the new money is coming through the short sellers and a downtrend is in place. Volume of trade has increased to 2,686, up by 582 against previous trading day.

Weather Update

Dry weather conditions in the northern region of India. Scattered rain would occur of Tamil Nadu, Kerala, Karnataka and south Madhya Maharashtra which may hinder crop pickings.

Cotton International Fundamentals:

Cotton futures end higher on trade buying. The December cotton contract on ICE Futures US rose 0.38 cent to end at \$1.0194 per lb. traders added that millers were buying at lows but higher levels prompted to stay away, so gains were limited. Higher prices were also supported by weaker dollar as economic optimism returned to the markets. Meanwhile, China National Cotton Reserves Corp showed that China's cotton imports in September rose 26% y-o-y.

Outlook: Domestic and International

In the short term, domestic cotton prices move lower on higher production estimates and weak demand.

U.S markets may trade range bound to weak due to better global production.

NCDEX Kapas Futures: Updated price as on 15th October 2011 (Prices in Rs/20/kg)

Contract	+/-	Open	High	Low	Close
Feb-11	-6.5	745.0	746.5	741.1	746.5
Mar-11	-	-	-	-	-
Apr-11	-9.9	745.0	747.0	732.1	735.3

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
12-Feb	11	9	146	6
12-Mar	0	-	36	-
12-Apr	2686	582	7230	145

Spread	Feb-12	Mar-12	Apr-12
Basis	128.5	129.8	139.7
Feb-12	-	-1.3	-11.2
Mar-12	-	-	-9.9
Apr-12	-	-	-

NB: Spread was done by taking Average of Spot prices at Ahmedabad market for Shankar cotton.

MCX Kapas Futures: Updated price as on 15th October 2011 (Prices in Rs/20/kg)

Contract	+/-	Open	High	Low	Close
Mar-11	-8.6	758.5	759.9	748.9	750.5
Apr-11	-9.8	760.0	763.0	746.0	749.1

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
12-Mar	87	-21	538	18
12-Apr	301	50	1186	98

Spread	Mar-12	Apr-12
Basis	124.5	125.9
Mar-12	-	-1.4
Apr-12	-	-

NB: Spread was done by taking Average of Spot prices at Ahmedabad market for Shankar cotton.

MCX Cotton Futures (29 mm Variety): Updated price as on 15th October 2011 (Prices in Bales)

Contract	+/-	Open	High	Low	Close
Oct-11	-250	19130	19130	18800	18860
Dec-11	-180	18270	18270	18010	18080
Jan-12	-170	18240	18250	17950	18050

***ICE Cotton Futures: As on 14/10/2011**

Contract	Open	High	Low	Close	Change
Dec-11	101.08	103.65	101.08	101.94	0.38
Mar-12	98.50	100.89	98.50	99.43	0.56
May-12	98.28	99.94	98.03	98.61	0.53
Jul-12	97.22	98.83	96.99	97.77	0.88
Oct-12	95.69	95.69	95.69	95.69	0.92
Dec-12	95.00	95.00	93.76	94.21	0.92

*Prices in USc

Cotton Prices at Key Spot Markets

Centre	Prices		Change
	15-10-11	14-10-11	
Kadi – Bt Cotton#	4700-4850	4600-4850	Unch
Amravati – Vunni Mech-1#	4100-4400	4000-4400	Unch
Ahmedabad – Shankar-6#	4000-4750	4000-4675	75
Abhor – J-34*	3865	3900	-35
Muktsar – J-34*	3875	3910	-35

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Arrivals		Change
	15-10-11	14-10-11	
Kadi –Bt Cotton	125	150	-25
Amravati –Vunni Mech-1	-	-	-
Ahmedabad – Shankar-6	20000	20000	Unch
Abohar	1000	1000	Unch
Muktsar	400	300	100

Kadi-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmedabad, Abohar and Muktsar-Bales

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