

**Cotton Domestic Fundamentals:**

Cotton prices remained mixed as arrivals have started to come into markets. However, compared with last year, arrivals are still 60% lower as rain delayed the cotton season by a month. Uncertain economic conditions could weigh on purchases from the textile industry. Trader's estimates of production this year could be seen at 36 million bales in 2011-12 but there could be a decline in consumption from domestic millers due to the global economic uncertainty. The open general license (OGL) for exports in force, we see cotton exports in the range of 7-10 million bales this year. This will mean a large surplus for domestic consumption.

**Cotton Domestic Futures Market:**

NCDEX Kapas April 2012 contract finished weak 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 5,902, up by 2,451 against previous trading day.

**Weather Update**

Dry weather conditions in the northern region of India. Widespread rain would occur over Tamil Nadu, Orissa and coastal Karnataka which may hinder crop pickings.

**Cotton International Fundamentals:**

Cotton futures ends lower on Monday on investor liquidation. December cotton contract on ICE Futures US lost 1.58 cents to end at \$1.0036 per lb. Markets also fell as the dollar rebound on Monday. Markets also fell on increased world cotton stock projections and outside market uncertainty is weighing on futures trade. Meanwhile Australian cotton harvest is underway which will also weigh on prices. Traders added that markets will now be looking toward the US Agriculture Department's weekly crop progress report.

**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: as on 18<sup>th</sup> October 2011  
(Prices in Rs/20/kg)**

Contract	+/-	Open	High	Low	Close
Feb-11	-7.7	730.0	731.2	721.9	728.0
Mar-11	-11.2	730.0	730.0	720.4	720.4
Apr-11	-3.4	722.3	728.0	715.5	722.0

**Volumes and OI in Lots**

Contract	Volume	Change	OI	Change
12-Feb	14	4	147	3
12-Mar	2	-11	37	1
12-Apr	5902	2451	8310	537

Spread	Feb-12	Mar-12	Apr-12
Basis	98.0	105.6	104.0
Feb-12	-	-7.6	-6.0
Mar-12		-	1.6
Apr-12			-

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

**MCX Kapas Futures: as on 18<sup>th</sup> October 2011 (Prices in Rs/20/kg)**

Contract	+/-	Open	High	Low	Close
Mar-11	-4.2	749.0	749.0	734.0	738.5
Apr-11	-4.3	739.9	743.5	730.5	736.2

**Volumes and OI in Lots**

Contract	Volume	Change	OI	Change
12-Mar	162	-14	555	10
12-Apr	537	150	1375	58

Spread	Mar-12	Apr-12
Basis	87.5	89.8
Mar-12	-	-2.3
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 18<sup>th</sup> October 2011 (Prices in Bales)**

Contract	+/-	Open	High	Low	Close
Oct-11	-80	18730	18780	18640	18730
Dec-11	40	17980	18100	17960	18100
Jan-12	10	17910	18050	17890	18020

**\*ICE Cotton Futures: As on 17/10/2011**

Contract	Open	High	Low	Close	Change
Dec-11	102.00	102.48	99.89	100.36	-1.58
Mar-12	99.43	99.70	97.90	98.46	-0.97
May-12	98.18	98.18	97.37	98.03	-0.58
Jul-12	97.32	97.50	96.80	97.41	-0.36
Oct-12	95.33	95.33	95.33	95.33	-0.36
Dec-12	94.02	94.04	93.50	93.85	-0.36

\*Prices in USc

**Cotton Prices at Key Spot Markets**

Centre	Prices		Change
	18-10-11	17-10-11	
Kadi – Bt Cotton#	4550-4825	4550-4825	Unch
Amravati – Vunni Mech-1#	4200-4600	4100-4500	100
Ahmedabad – Shankar-6#	3760-4500	4000-4650	-150
Abhor – J-34*	3650	3790	-140
Muktsar – J-34*	3650	3800	-150

\*-Rs/maund, #-Rs.qtl

**Cotton Arrivals in Key Centers**

Centre	Arrivals		Change
	18-10-11	17-10-11	
Kadi –Bt Cotton	200	150	50
Amravati –Vunni Mech-1	-	-	-
Ahmedabad – Shankar-6	20000	20000	Unch
Abohar	1100	1000	100
Muktsar	300	300	Unch

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

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