

Cotton Domestic Fundamentals:

Steady to firm sentiments were seen on Tuesday's trade supported from demand from spinning mills and exporters. Traders added that lower cotton prices along with and depleting stocks at textile companies is likely to benefit spinning mills. Demand from fabrics and garment makers are also expected to support prices. Production of yarn remained lower in April-October 2011 compared to April-October 2010 as demand from textile mills declined this year. The yarn production declined to 377.84 million kgs in October 2011. Arrivals remained lower at 13.11 lakh bales (170 Kgs) as on 18th December 2011 compared to 18.84 lakh bales (170 Kgs) as producers are holding onto stocks anticipating better returns. Arrivals also declined as rains across Punjab, Gujarat, Haryana and Maharashtra delayed the new crop arrivals by about 15-20 days. Meanwhile, India cotton yarn export registrations stood at 76.362 million kg in November, 2011 almost 74% higher compared to October. As per latest data of the Directorate General of Foreign Trade cotton yarn export registration during first eight month of the current fiscal year stood at 540.78 million kg.

Cotton Futures:

As both open interest and prices are falling, it indicates long liquidation and suggests a possible trend reversal in near future.

Cotton International Fundamentals

Cotton futures ends higher as spillover strength from other grains and short-covering are supporting the market. Markets may continue the bullish tone till the end of the year supported by news that investors may continue to buy at lows. March cotton futures went up 0.80 cent to close at 87.09 cents per lb. However, in the long run market is struggling from weak demand caused by fears the debt and budget crisis in the EU and the United States would continue to deflate cotton demand. USDA reports said that cotton production at 15.8 million bales this year down 3% from November and 13% from a year ago. Yield is 771 pounds an acre, down 41 pounds from last year. USDA says extreme drought conditions reduced yields considerably this season.

Outlook: Domestic and International

In the short term, domestic cotton prices move range bound to firm on improved demand.

U.S markets may trade range bound as production in the U.S could be much lower than previously anticipated.

NCDEX Kapas Futures: (Prices in Rs/20/kg)

Contract	+/-	Open	High	Low	Close
Feb-12	-0.2	787.0	787.0	761.0	767.4
Mar-12	-12.5	768.2	768.5	750.1	750.1
Apr-12	-13.9	772.0	786.0	760.0	761.1

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
Feb-12	13	-16	112	-
Mar-12	3	-1	31	-1
Apr-12	8358	-373	10109	-538

Spread	Feb-12	Mar-12	Apr-12
Basis	87.6	104.9	93.9
Feb-12	-	-17.3	-6.3
Mar-12		-	11.0
Apr-12			-

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

MCX Kapas Futures: (Prices in Rs/20/kg)

Contract	+/-	Open	High	Low	Close
Mar-12	-14.5	783.9	788.0	762.2	763.2
Apr-12	-13.4	785.9	792.2	766.6	768.6

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
Mar-12	1057	-170	751	-7
Apr-12	1477	-961	1341	14

Spread	Mar-12	Apr-12
Basis	91.8	86.4
Mar-12	-	5.4
Apr-12		-

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

MCX Cotton Futures (29 mm Variety): Prices in Bales

Contract	+/-	Open	High	Low	Close
Dec-11	-80	16660	16710	16550	16600
Jan-12	-100	16650	16710	16540	16570
Mar-12	-90	16910	16940	16800	16810

Cotton Prices at Key Spot Markets

Centre	Prices		Change
	20-12-11	19-12-11	
Kadi – Bt Cotton#	4100-4350	4150-4325	25
Amravati – Vunni Mech-1#	3900-4100	3800-4100	Unch
Ahmedabad – Shankar-6#	4200-4350	4150-4375	-25
Abhor – J-34*	3450	3425	25
Muktsar – J-34*	3450	3425	25

*-Rs/maund, #-Rs.qlt

Cotton Arrivals in Key Centers

Centre	Arrivals		Change
	20-12-11	19-12-11	
Kadi –Bt Cotton	500	350	150
Amravati –Vunni Mech-1	1200	1000	200
Ahmedabad – Shankar-6	40000	30000	10000
Abohar	750	800	-50
Muktsar	250	275	-25

Prices of Cotton, Cotton Seed and Jute at Other Centers: As on 20/12/2011

Commodity	State	Market Center	Arrivals	Variety	Minimum Price	Maximum Price	Modal Price
			Tonnes		Rs/Quintal		
Cotton	Andhra Pradesh	Adilabad	515.9	Unginned	3500	3880	3750
		Asifabad	465.4	Unginned	3500	3800	3720
		Bhainsa	822.6	Unginned	3750	3830	3775
		Boath	87.3	Unginned	3735	3735	3735
		Choppadandi	79	Unginned	3650	3960	3810
		Gajapathinagaram	4.6	Unginned	3000	3200	3000
		Khammam	242	Unginned	3700	3875	3825
		Koilkunta	1.5	Mungari	3250	3350	3300
		Kuber	90.1	Mungari	3780	3790	3785
		Mancharial	138.5	Mungari	3670	3750	3680
		Pidugurala	0.1	Mungari	3300	3500	3400
		Pothgal	6	Ginned	3000	3300	3300
		Sattenapalli	0.1	MCU 5	3600	4000	3800
	Gujarat	Amreli	209	Other	3005	4435	4410
		Bhiloda	80	Other	4250	4350	4300
		Bodeli	240	Shanker 6	4185	4301	4250
		Himatnagar	53.8	Other	4060	4275	4168

		Jam Jodhpur	57.7	Desi	3900	4400	4150
		Junagadh	71.5	Other	4000	4305	4150
		Kadi	30	Other	4225	4340	4275
		Rajkot	750	Other	4125	4400	4250
		Rajula	80	Other	4050	4320	4185
		Siddhpur	128.8	Other	4020	4335	4175
		Una	80	Shanker 6	4120	4310	4225
		Vadhvan	1.6	Shanker 6	4280	4300	4290
		Visnagar	273.8	Other	3500	4355	4000
	Karnataka	Bijapur	210	LH-1556	2200	4039	3990
		Gundlupet	9	Other	2800	2850	2850
		Hubli	118	GCH	2890	4151	4039
			NR	Varalakshmi	4289	4609	4509
		Raichur	166	F-1054	3530	4025	3700
	Madhya Pradesh	Ratlam	4.7	DCH-32	4399	4481	4455
			NR	Other	3550	3880	3825
		Sonsar	731.8	H4	3825	4080	3950
	Punjab	Bareta	199	Other	3730	4020	3975
		Dhuri	28	American	2500	3820	3700
		Kotkapura	70	American	3000	4055	3880
		Malout	230.6	Other	3850	4035	4020
		Raman	192	Other	3550	4075	4040
	Rajasthan	Gajsinghpur	872	American	3400	3890	3800
			NR	Desi	4000	4442	4300
		Sri Karanpur	83.5	American	3781	4041	3971
			NR	Desi	4525	4635	4551
	Tamil Nadu	Kovilpatti	NR	LRA	3000	3800	3500
			NR	MCU 5	3500	4500	4000
			NR	Other	2000	3000	2500
		Salem	NR	Ginned	4300	5100	4700
			NR	DCH-32	4000	4500	4250
		Tiruchengode	NR	DCH-32	4100	4500	4300
			NR	DCH-32	3900	4300	4100
			NR	LRA	3800	4200	4000
		Usilampatty	NR	LRA	3000	3200	3100
			NR	MCU 5	2900	3100	3020
			NR	Other	2600	2700	2650
		Villupuram	15	Other	3680	3984	3900
Jute	Andhra Pradesh	Bobbili	2.5	Jute	1400	1600	1500
		Gajapathinagaram	1	Jute	1400	1500	1450
	West Bengal	Bethuadahari	100	TD-5	1695	1710	1700
		Coochbehar	53	TD-5	1975	2025	2000

		Islampur	4	TD-5	1900	1950	1925
		Mekhliganj	14	Other	2000	2100	2050
		Raiganj	44	TD-5	1750	1850	1800
		Samsi	20	Jute	1850	1950	1900
			NR	TD-5	1750	1850	1850
Cotton Seed	Uttar Pradesh	Muzzafarnagar	NR	Other	2500	2600	2565

Cotton Association of India Spot Rates: As on 20/12/2011

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy
Bengal Deshi (RG)/ Assam Comilla	Below 22mm	5.0 - 7.0	15	33300
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	34200
J-34	25mm	3.5 - 4.9	23	31000
H-4/ MECH-1	28mm	3.5 - 4.9	25	33600
Shankar-6	29mm	3.5 - 4.9	26	34400
Bunny/ Brahma	31mm	3.5 - 4.9	27	35000
MCU-5/ Surabhi	33mm	3.3 - 4.5	28	36900
DCH-32	35mm	2.8 - 3.6	31	44000

Cotlook Index: As on 19/12/2011

Cotlook Indices	Cents/Pound	Change
A-Index	92.55	Unch

China Cotton Index: As on 20/12/2011

Index	RMB/Ton	Change
CCIndex(328)	-	-
CCIndex(527)	-	-
CCIndex(229)	-	-

RMB - Renminbi, 1RMB = 0.16 \$U.S.

USDA Cotton Spot Rates: As on 19/12/2011

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.59	86.34	Nil
North Delta	84.34	85.34	Nil
South Delta	84.34	85.34	Nil
East TX-OK	81.25	84.00	415
West Texas	81.25	83.75	3,983
Desert SW	84.59	90.59	Nil
SJ Valley	85.09	95.49	Nil

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per tex and uniformity 80.5 to 81.4

ICE Cotton Futures (Prices in cents/lb.): As on 19/12/2011

Contract	Open	High	Low	Close	Change
Mar-12	86.24	87.50	85.90	87.09	0.80
May-12	85.90	86.95	85.50	86.72	0.79
Jul-12	86.11	86.71	85.40	86.60	0.82
Oct-12	88.00	88.00	88.00	88.00	1.72
Dec-12	83.90	85.50	83.90	85.50	0.99

Mar 13	86.56	86.56	86.56	86.56	1.02
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Pakistan Cotton Spot rates: As on 19/12/2011 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4900	130	5030
Equivalent	40 Kgs	5258	130	5381

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