

Cotton Domestic Fundamentals:

Steady to weak tone featured in the cotton spot market on Friday as dull trade activity were seen in the market. Arrivals were reported in mixed trend as farmers are indecisive stage about cotton prices during upcoming days. Even, NCDEX future prices of April month ended up at profit booking by short sellers. We can assume prices may change the direction towards upward as exporters are comfortable to buy at the prevailing price. Domestic ginner/mills are slowly procuring cotton from mandi, which is restricting cotton price to go up.

Government recently release 2nd advance estimate of cotton production. Production of cotton is estimated at 340 lakh bales down from its earlier estimate 345 lakh bales. However, it is remained up compared from previous year production estimate at 330 lakh bales.

Cotton International Fundamentals

According to the National Cotton Council's survey results, the upland cotton sowing area in 2012 is likely to decline by 7.5% to 13.34mn acres compared from the last year 2011. Alabama and Virginia are the major state, where farmers are expected to reduce cotton sowing area by 17.6% and 16% respectively as farmers are switching into soybean, peanuts and corn.

Outlook: Domestic and International

We can see steady to firm movement of cotton prices during upcoming days as reversal buying activities of exporter is likely to start.

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

| Contract | +/- | Open | High | Low | Close |
|----------|------|--------|--------|--------|--------|
| Feb-12 | 1.30 | 822.10 | 822.10 | 822.10 | 822.10 |
| Mar-12 | | | | | |
| Apr-12 | 9.80 | 873.90 | 884.80 | 868.00 | 879.40 |

Volumes and OI in Lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|------|--------|
| Feb-12 | 1 | -5 | 32 | 1 |
| Mar-12 | 0 | -3 | 9 | 0 |
| Apr-12 | 6113 | 1101 | 8115 | 6113 |

| Spread | Feb-12 | Mar-12 | Apr-12 |
|--------|--------|--------|--------|
| Basis | 47.90 | | |
| Feb-12 | | | |
| Mar-12 | | | 879.4 |

NB: Spread was done by taking avg spot prices at Ahmedabad market for Shankar cotton.

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

| Contract | +/- | Open | High | Low | Close |
|----------|------|--------|--------|--------|--------|
| Mar-12 | 8.40 | 864.00 | 870.00 | 855.30 | 866.00 |
| Apr-12 | 9.70 | 881.00 | 891.00 | 875.00 | 885.90 |

Volumes and OI in Lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|-----|--------|
| Mar-12 | 350 | -40 | 734 | -13 |
| Apr-12 | 638 | -154 | 830 | -20 |

| Spread | Mar-12 | Apr-12 |
|--------|--------|--------|
| Basis | 4.00 | |
| Mar-12 | | -19.90 |

NB: Spread was done by taking avg spot prices at Ahmedabad market for Shankar cotton.

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

| Contract | % Change | Open | High | Low | Close |
|-----------|----------|-------|-------|-------|-------|
| 30-Mar-12 | 0.56 | 17800 | 17880 | 17750 | 17830 |
| 30-Apr-12 | 0.44 | 18080 | 18190 | 18080 | 18140 |
| 31-May-12 | 0.33 | 18470 | 18490 | 18400 | 18460 |

Cotton Prices at Key Spot Markets

| Centre (1 bale = 170 Kg) | Prices (Rs/Qtl) | | Change |
|--------------------------|-----------------|-----------|--------|
| | 17-02-12 | 16-02-12 | |
| Kadi – Bt Cotton | 4275-4550 | 4250-4550 | Unch |
| Amravati – Vunni Mech-1 | 4025 | - | - |
| Ahmedabad – Shankar-6 | 4300-4400 | 4300-4400 | Unch |
| Abhor – J-34 | 3740 | 3750 | -10 |
| Muktsar – J-34 | 3740 | 3750 | -10 |

Cotton Arrivals in Key Centers

| Centre (1 bale = 170 Kg) | Arrivals | | Change |
|--------------------------------|----------|----------|--------|
| | 17-02-12 | 16-02-12 | |
| Kadi –Bt Cotton (truck) | 150 | 150 | Unch |
| Amravati –Vunni Mech-1 (bales) | 7000 | - | - |
| Ahmedabad – Shankar-6 | 60000 | 60000 | Unch |
| Abohar (bales) | 800 | 650 | +150 |
| Muktsar (bales) | 300 | 200 | +100 |

Cotton Association of India Spot Rates: As on 15/02/2012

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy |
|-------------------------------------|------------|------------|---------------|---------------|
| Bengal Deshi (RG)/ Assam Comilla | Below 22mm | 5.0 - 7.0 | 15 | 34700 |
| Bengal Deshi (SG) | Below 22mm | 5.0 - 7.0 | 15 | 35700 |
| J-34 | 25mm | 3.5 - 4.9 | 23 | 33400 |
| H-4/ MECH-1 | 28mm | 3.5 - 4.9 | 25 | 34500 |
| Shankar-6 | 29mm | 3.5 - 4.9 | 26 | 35500 |
| Bunny/ Brahma | 31mm | 3.5 - 4.9 | 27 | 36000 |
| MCU-5/ Surabhi | 33mm | 3.3 - 4.5 | 28 | N.A. |
| DCH-32 | 35mm | 2.8 - 3.6 | 31 | 49000 |

Cotlook Index: As on 15/02/2012

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 100.45 | +0.20 |

China Cotton Index: As on 17/02/2012

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 19553 | +16 |
| CCIndex(527) | 16910 | +8 |
| CCIndex(229) | 20782 | +12 |

USDA Cotton Spot Rates: As on 16/02/2012

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 88.46 | 90.71 | 4891 |
| North Delta | 87.71 | 88.71 | 427 |
| South Delta | 87.71 | 88.71 | NIL |
| East TX-OK | 83.00 | 87.75 | 1798 |
| West Texas | 83.25 | 88.75 | 3024 |
| Desert SW | 85.96 | 91.71 | 13 |
| SJ Valley | 87.21 | 97.61 | 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 16/02/2012

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-12 | 92.40 | 92.80 | 91.80 | 92.45 | -0.05 |
| May-12 | 93.00 | 94.00 | 92.65 | 93.71 | +0.23 |
| Jul-12 | 93.50 | 95.10 | 93.50 | 94.86 | +0.30 |
| Oct-12 | 95.28 | 95.28 | 95.28 | 95.28 | +0.30 |
| Dec-12 | 93.30 | 94.00 | 93.00 | 93.72 | Unch |
| Mar 13 | 94.52 | 94.52 | 94.52 | 94.52 | Unch |
| | | | | | |

Pakistan Cotton Spot rates: As on 16/02/2012 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5600 | 130 | 5730 |
| Equivalent | 40 Kgs | 6002 | 130 | 6132 |
| | | | | |

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