

Cotton Domestic Fundamentals:

- Cotton prices noticed mixed tone on Monday.
- Lack of buying by millers in the domestic market weighed on prices.
- Arrivals were reported to be steady to higher in the major mandis.
- Market is looking for further direction from international market.
- According to CMIE, cotton production is expected to decline by 7.8% to 32.2 million bales during the financial year 2012-13.
- According to IMD, south-west monsoon has advanced over half of India and has entered the west coast. Further rains are expected along the west coast in the coming days.
- This will be beneficial for the cotton crop in the coming days.
- India is likely to import more cotton in the medium –term following good demand.
- According to Gujarat government officials, acreage under cotton during this year is likely to decline to 25 lakh hectares compared to 30 lakh hectares during the previous season.
- Production of cotton in Gujarat is likely to decline by 25 percent in the current fiscal year compared to 112 lakh bales during 2011-12.
- Cotton Yarn prices are likely to increase in anticipation of increase in demand from the textile mills.

Cotton International Fundamentals

- Cotton futures recorded a two-week's high on Friday following increase in exports from the U.S. five times. Net sales of upland cotton jumped to 1.02 million running bales in the week ended June 7 from 199,233 a week earlier according to USDA.
- Turkey has agreed to remove penal duties 'wrongfully' imposed on Indian cotton yarn.
- China bought nearly 95% of the 795,700 bales of the net export sales from the U.S. in the week ending June 7

Outlook: Domestic and International

We expect domestic cotton price to trade sideways to firm in the near –term.

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

| Contract | +/- | Open | High | Low | Close |
|----------|------|--------|--------|--------|-------|
| Feb-13 | -4 | 985.00 | 985.00 | 970.50 | 972.5 |
| Apr-13 | -2.5 | 982.00 | 988.00 | 975.50 | 979 |

Volumes and OI in Lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|------|--------|
| Feb-13 | 9 | 5 | 47 | -1 |
| Apr-13 | 1,468 | 536 | 1825 | 63 |

| Spread | Feb-13 | Apr-13 |
|----------|--------|--------|
| Basis | -197.5 | |
| Feb-13 | | 6.50 |
| April-13 | | |

NB: Spread was done by taking avg spot prices at Ahmedabad – Shankar-6 market. Basis = Spot- April

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

| Contract | +/- | Open | High | Low | Close |
|----------|-----|-------|-------|-------|-------|
| Mar-13 | 4.9 | 960.1 | 976.8 | 960.1 | 974.9 |
| Apr-13 | 1.8 | 976 | 985 | 975.3 | 977.7 |

Volumes and OI lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|----|--------|
| Feb-13 | 11 | -7 | 19 | -3 |
| Apr-13 | 18 | 0 | 60 | -3 |

| Spread | Feb-13 | Apr-13 |
|--------|--------|--------|
| Basis | -199.9 | |
| Apr-13 | | 1.00 |

NB: Spread was done by taking avg spot prices at Ahmedabad – Shankar-6 market Basis = Spot - April

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

| Contract | % Change | Open | High | Low | Close |
|-----------|----------|-------|-------|-------|-------|
| 29-Jun-12 | -0.93 | 16170 | 16260 | 15970 | 15980 |
| 31-Jul-12 | -0.91 | 16520 | 16640 | 16320 | 16330 |
| 31-Aug-12 | -0.77 | 16830 | 16950 | 16660 | 16670 |

Cotton Prices at Key Spot Markets

| Centre (1 bale = 170 Kg) | Prices (Rs/Qtl) | | Change |
|--------------------------|-----------------|-----------|--------|
| | 18-6-2012 | 16-6-2012 | |
| Amravati-Vunni Mech-1# | 3900-3950 | 3900-3925 | +25 |
| Kadi-Bt Cotton# | 3800-4100 | 3900-4150 | -50 |
| Ahmedabad-Shankar-6# | 3750-4000 | 3750-4000 | Unch |
| Gondal | - | - | - |
| Rajkot-(B.T) | 3550-3950 | 3575-3965 | -10 |
| Abohar-J-34* | 3550 | 3575 | -25 |
| Muktsar-J-34* | 3550 | 3575 | -25 |
| Fajlika# | 3675 | 3650 | +25 |
| Patan-(B.T) | 3550-3600 | 3550 | +50 |
| Sri-Ganganagar | 3470-3480 | 3420-3480 | Unch |

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

| Centre (1 bale = 170 Kg) | Arrivals | | Change |
|--------------------------|-----------|-----------|--------|
| | 18-6-2012 | 16-6-2012 | |
| Amravati -Vunni Mech-1` | 1500 | 1500 | Unch |
| Kadi -Bt Cotton | 100 | 70 | +30 |
| Ahmedabad - Shankar-6 | 10000 | 10000 | Unch |
| Gondal | - | - | - |
| Rajkot-(B.T) | 3150 | - | - |
| Abohar | 100 | 50 | +50 |
| Muktsar | - | - | - |
| Fajlika | 50 | 50 | Unch |
| Patan-(B.T) | - | - | - |
| Sri-Ganganagar | - | - | - |

Khandwa, Kadi, Fajlika-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmadabad, Abohar and Muktsar-Bales

Cotton Association of India Spot Rates: 16/6/2012

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy (15/6/2012) | Rs. Per Candy (14/6/2012) | Change |
|---|------------|------------|------------------|---------------------------------|---------------------------------|--------|
| Bengal Deshi (RG)/ Assam Comilla(101) | Below 22mm | 5.0 - 7.0 | 15 | 35400 | 35400 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 3660 | 36600 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 31200 | 31200 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 31500 | 31300 | +200 |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 32800 | 32600 | +200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 34600 | 34400 | +200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 35700 | 35500 | +200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 46000 | 45500 | +500 |

Cotlook Index: As on 15/6/2012

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 83.05 | +0.20 |

China Cotton Index: As on 18/6/2012

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 18333 | -13 |
| CCIndex(527) | 16061 | -12 |
| CCIndex(229) | 19435 | -9 |

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

USDA Cotton Spot Rates: As on 15/6/2012

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 76.98 | 79.98 | 3642 |
| North Delta | 75.98 | 76.98 | 1557 |
| South Delta | 75.98 | 76.98 | NIL |
| East TX-OK | 71.00 | 76.00 | 237 |
| West Texas | 71.25 | 75.50 | 1574 |
| Desert SW | 71.73 | 78.23 | NIL |
| SJ Valley | 72.48 | 83.13 | 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 15/6/2012

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|--------------|
| Jul-12 | 79.99 | 81.37 | 79.37 | 79.98 | +1.89 |
| Oct-12 | 70.93 | 71.35 | 69.87 | 70.88 | +0.58 |
| Dec-12 | 70.60 | 71.59 | 70.37 | 71.02 | +0.42 |
| Mar-12 | 72.38 | 72.95 | 71.89 | 72.70 | +0.32 |
| May-12 | 73.75 | 74.13 | 71.98 | 73.88 | +0.27 |
| Jul-12 | 75.00 | 75.00 | 74.10 | 74.65 | +0.22 |

Pakistan Cotton Spot rates: As on 16/6/2012 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5800 | 130 | 5930 |
| Equivalent | 40 Kgs | 6216 | 130 | 6239 |

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