

Cotton Domestic Fundamentals:

- Cotton prices witnessed steady tone on Wednesday.
- Major Arrival was registered at the Gondal market.
- Imported cotton mainly from Africa has started arriving during last week, stabilizing the prices.
- Cotton crops are on verge of failure in Saurashtra region located on the Arabian Sea coast of Gujarat state as 75% crop in area are dying.
- Area under cotton is down by 6.55 lakh hectares to 111.81 lakh hectares as on 16th August 2012 as compared to 116.81 lakh hectares during the same period last year.
- Higher acreage is reported in the states of Andhra Pradesh (up by 3.33 lakh ha.), Maharashtra (up by 0.05 lakh ha.), Orissa (up by 0.03 lakh ha.), Haryana (up by 0.82 lakh ha.) as per Ministry of Agriculture. Lower area is reported in the states of Gujarat (down by 6.64 lakh ha.), Madhya Pradesh (down by 0.98 lakh ha), Karnataka (down by 0.84 lakh ha.), Punjab (down by 0.59 lakh ha.) and Rajasthan (down by 0.76 lakh ha.) compared to same period during previous year.

Cotton International Fundamentals

- According to Morgan Stanley, China, the world's biggest importer and consumer of cotton, has accumulated stockpiles and has reduced demand.
- China cotton consumption may decline 11 percent this year, as they are piling up the stocks.
- Center for Advanced Studies on Applied Economics (CEPEA) stated that cotton prices are keeping the upward trend in the domestic market which should not be the case when markets are expecting the arrivals.

Outlook: Domestic and International

We expect domestic cotton price to trade on bearish phase.

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

| Contract | +/- | Open | High | Low | Close |
|----------|------|---------|------|--------|--------|
| Feb-13 | -2.5 | 1083.50 | 1100 | 1083.5 | 1100 |
| Apr-13 | -8 | 1131.50 | 1137 | 1116 | 1120.5 |

Volumes and OI in Lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|------|--------|
| Feb-13 | 13 | 5 | 112 | 0 |
| Apr-13 | 6,511 | 2329 | 6234 | -223 |

Spread Feb-13 Apr-13

| | | |
|----------|------|-------|
| Basis | -125 | |
| Feb-13 | | 20.50 |
| 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 |
|----------|------|------|--------|------|--------|
| Feb-13 | -6.6 | 1123 | 1125.8 | 1109 | 1112.9 |
| Apr-13 | -6.2 | 1126 | 1127.5 | 1110 | 1114.2 |

Volumes and OI lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|-----|--------|
| Feb-13 | 102 | -23 | 141 | 10 |
| Apr-13 | 159 | 51 | 343 | -3 |

Spread Feb-13 Apr-13

| | | |
|----------|--------|------|
| Basis | -147.9 | |
| Feb-13 | | 1.30 |
| April-13 | | |

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

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

| Contract | % Change | Open | High | Low | Close |
|-----------|----------|-------|-------|-------|-------|
| 31-Aug-12 | 0.22 | 17980 | 17980 | 17740 | 17840 |
| 31-Oct-12 | -0.11 | 18460 | 18490 | 18310 | 18340 |
| 30-Nov-12 | -0.06 | 17940 | 18050 | 17810 | 17860 |
| 31-Dec-12 | -0.06 | 18000 | 18100 | 17860 | 17930 |
| 31-Jan-13 | 0 | 18060 | 18350 | 18060 | 18100 |

Cotton Prices at Key Spot Markets

| Centre (1 bale = 170 Kg) | Prices (Rs/Qtl) | | Change |
|--------------------------|-----------------|-----------|--------|
| | 22-8-2012 | 21-8-2012 | |
| Amravati-Vunni Mech-1# | - | 4850 | - |
| Kadi-Bt Cotton# | - | - | - |
| Ahmedabad-Shankar-6# | 4760-5000 | 4750-5000 | Unch |
| Gondal | 2000-5300 | 2000-5300 | Unch |
| Rajkot-(B.T)1 | 4400-5020 | 4505-5065 | -45 |
| Abohar-J-34* | 3890 | 3880 | +10 |
| Muktsar-J-34* | 3890 | 3880 | +10 |
| Fajlika# | - | 3880 | - |
| Khandwa M.P. | 5000-5200 | 5000-5250 | -50 |
| Patan-(B.T) | - | - | - |
| Sri-Ganganagar | 3815 | 3800 | +15 |

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

| Centre (1 bale = 170 Kg) | Arrivals | | Change |
|--------------------------|-----------|-----------|--------|
| | 22-8-2012 | 21-8-2012 | |
| Amravati -Vunni Mech-1# | - | 700 | - |
| Kadi -Bt Cotton | - | - | - |
| Ahmedabad - Shankar-6# | 2000 | 2000 | Unch |
| Gondal | 851 | 397 | +454 |
| Rajkot-(B.T) | 625 | 600 | +25 |
| Abohar | - | - | - |
| Muktsar | - | - | - |
| Fajlika | - | - | - |
| Khandwa M.P. | - | - | - |
| 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: 21/8/2012

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy (20/8/2012) | Rs. Per Candy (17/8/2012) | Change |
|---------------------------------------|------------|------------|------------------|---------------------------------|---------------------------------|--------|
| Bengal Deshi (RG)/ Assam Comilla(101) | Below 22mm | 5.0 - 7.0 | 15 | 41900 | 41900 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 42700 | 42700 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 35400 | 35400 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 37400 | 37400 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 38400 | 38200 | +200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 40500 | 40500 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | N.Q. | N.Q. | - |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 53500 | 53500 | Unch |

Cotlook Index: As on 21/8/2012

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 84.95 | +1.50 |

China Cotton Index: As on 22/8/2012

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 18402 | +9 |
| CCIndex(527) | 16074 | 0 |
| CCIndex(229) | 19442 | +5 |

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

USDA Cotton Spot Rates: As on 21/8/2012

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 73.95 | 76.95 | NIL |
| North Delta | 73.20 | 74.20 | NIL |
| South Delta | 73.20 | 74.20 | 254 |
| East TX-OK | 71.00 | 75.75 | 1882 |
| West Texas | 70.50 | 76.75 | 242 |
| Desert SW | 71.70 | 78.20 | NIL |
| SJ Valley | 72.45 | 83.10 | 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 21/8/2012

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Oct-12 | 74 | 76.45 | 74 | 76.45 | 2.28 |
| Dec-12 | 74.8 | 77.49 | 74.6 | 77.3 | 2.47 |
| Mar-12 | 75.44 | 77.8 | 75.38 | 77.74 | 2.3 |
| May-12 | 75.62 | 77.95 | 75.59 | 77.94 | 2.3 |
| Jul-12 | 76.03 | 78.27 | 76.03 | 78.27 | 2.22 |
| Oct-12 | 79.62 | 79.62 | 79.62 | 79.62 | 2.29 |

Pakistan Cotton Spot rates: As on 18/8/2012 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5800 | 155 | 5955 |
| Equivalent | 40 Kgs | 6216 | 155 | 6371 |

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