

Domestic Fundamentals:

- Cotton prices in domestic market noticed mixed tone on Friday.
- Prices ruled sideways amid steady arrival and sluggish demand.
- Arrivals stood steady at 178000 bales on Friday compared to 178000 bales on Thursday.
- NCDEX has announced the launch of cotton seed contract today, which will come into the trading from tomorrow onwards.
- Rupee depreciation has moved the interest of exporter and millers towards the procurement of cotton. Indian exporters seek demand from overseas markets as global production is on lower side and weak domestic currency could boost the export demand.
- Farmers are under undue pressure due to quantitative restriction on cotton export imposed by government.
- **Weather** is favorable for the harvesting in most of the region, though fall in temperature could affect harvesting in north India.
- **Area** under the cotton cultivation, according to ministry of agriculture stood 114.67 lakh hectares this season (2013-14), compared to 117.29 lakh hectares last season.
- **Production** as per the Cotton Association of India (CAI) would be around 37.88 million bales (of 170 kg each)
- **Yield** of cotton though initially gained significantly, but it is likely to decline during the consequences in later stages.
- **Opening Stock** this season stood around 37 lakh bales compared to 40 lakh bales last season.
- **Consumption** would be around 294 lakh bales compared to 287 last season.
- **Export** according to USDA estimates, are likely to be around 96.05 lakh bales this season
- **Import** according to USDA estimates, is expected to be around 14.05 lakh bales this season.

International Fundamentals:

- China is getting its import contracts settled with India, and they are preferring to import Yarn over fiber due to high import duty.
- Turkey overtakes China to purchase US cotton, has bought 1.72 million bales (480 pound each) of US cotton compared with 1.42 million bales bought by Chinese buyers. The turkish buying surge by 40% in this year while, Chinese buying demand dwindle by 60% from last year.
- **World production**, according to the ICAC estimates, is likely to be around 25.64 million tones during this season (2013-14), whereas it was 26.88 million tones previous season.
- **Global cotton consumption** is expected to be around 23.77 million tones this season, compared to 23.34 million tones last season.
- **Ending stock** of cotton on global front would be around 20.32 million tones this season versus 18.44 million tones last season.

Outlook

We expect domestic market to notice firm tone in domestic market as demand is expected to be strong.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14	-3	915	915	915	915	1	0	10	0
Mar-14						0	-2	2	0
Apr-14	4	995.5	1006	994	1004.5	9,543	-4,692	13218	490

	Feb-14	Mar-14	Apr-14
Spot	110		
Feb-14			
Mar-14			

NB: Spread was done by taking avg spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14									
Mar-14	0.8	948.3	954.9	947.8	951.5	39	0	237	0
Apr-14	3.2	1009.5	1009.5	997.8	1007.5	329	0	386	0

	Mar-14	Apr-14
Spot	73.5	
Mar-14		56
Apr-14		

NB: Spread was done by taking avg spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month

MCX Cotton Futures Closed (29 mm Variety):

Contract	% Change	Open	High	Low	Close
31-Dec-13	0.3	19680	19840	19680	19820
31-Jan-14	0.2	20000	20150	19990	20130
27-Feb-14	0.2	20320	20460	20310	20440
31-Mar-14	0.05	20660	20790	20660	20730
30-Apr-14	-0.57	21060	21060	21060	21060
30-May-14	--	--	--	--	--

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		3-Jan-14	2-Jan-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4700	4750	-50
Khandwa	Mech-1	4900	4900	Unch
Khargaon	Mech-1	4900	4900	Unch
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5200	5200	Unch
Rajkot	B.T. Cotton	5125	5165	-40
Patan	B.T. Cotton	5075	5125	-50
Muktsar	B.T. Cotton	5300	5300	Unch
Fazilika	B.T. Cotton	NR	5350	-
Bhiwani	B.T. Cotton	5450	5425	25
Adampur	B.T. Cotton	5385	5340	45
Fatehabad	B.T. Cotton	5425	5450	-25
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	5050	5125	-75
Gondal	Shankar-6	5000	5015	-15
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4330	4310	20
Muktsar	J-34	4330	4330	Unch
Fazilika	J-34	NR	4325	
Bhatinda	J-34	4345	4375	-30
Mansa	J-34	4450	4410	40
Sirsa	J-34	4350	4350	Unch
Sri-Ganganagar	J-34	4136	4113	24

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		3-Jan-14	2-Jan-14	
Amravati	Mech-1	22000	20000	2000
Khandwa	Mech-1	3500	3500	Unch
Khargaon	Mech-1	12000	5000	7000
Mahesana(Kadi)	B.T. Cotton	50000	45000	5000
Rajkot	B.T. Cotton	3100	2900	200
Patan	B.T. Cotton	4780	4782	-2
Muktsar	B.T. Cotton	425	425	Unch
Fazilika	B.T. Cotton	NR	1800	-
Bhiwani	B.T. Cotton	1000	1500	-500
Adampur	B.T. Cotton	6000	2500	3500
Fatehabad	B.T. Cotton	600	1000	-400
Ahmedabad	Shankar-6	85000	110500	-25500
Gondal	Shankar-6	1200	1162	38
Abohar	J-34	850	850	Unch
Bhatinda	J-34	25500	26350	-850
Mansa	J-34	680	680	Unch
Sirsa	J-34	850	510	340
Sri-Ganganagar	J-34	3400	3400	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				2-Jan-14	1-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39200	38900	300
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39900	39600	300
J-34(202)	26mm	3.5 - 4.9	23	40500	40100	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39500	39200	300
Shankar-6(105)	29mm	3.5 - 4.9	28	40500	40200	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41200	40800	400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42300	42000	300
DCH-32(107)	34mm	3.0 - 3.8	33	63500	63500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 3 Jan 2014

Index	RMB/Ton	Change
CCIndex(328)	19534	4
CCIndex(527)	NQ	-
CCIndex(229)	20305	-8

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

Cotlook Index: As on 02/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	89.70	Unch

USDA Cotton Spot Rates: As on 02/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	82.54	85.04	1048
North Delta	81.54	84.04	Nil
South Delta	81.54	84.04	Nil
East TX-OK	79.25	81.5	1476
West Texas	79.25	81.75	8584
Desert SW	79.04	86.04	Nil
SJ Valley	79.79	90.44	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 2/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	84.6	85.07	83.50	84.04	-0.60
May-14	84.4	84.89	83.53	84.02	-0.38
Jul-14	83.78	84.58	83.48	83.98	unch
Oct-14	80	80	80.00	80.00	0.25
Dec-14	78.45	78.95	78.35	78.94	0.51
Mar-15	79.34	79.69	79.34	79.69	0.73

Pakistan Cotton Spot rates: As on 02 Jan 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	7000	155	7155
Equivalent	40 Kgs	7502	155	7657

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