

Domestic Fundamentals:

- Cotton prices noticed weak tone on steady arrival and sluggish demand.
- Arrivals stood steady at 166000 bales on Saturday compared to 178000 bales on Friday.
- Directorate General of Foreign Trade latest notification revealed that exporters are exempted from submitting documents in physical form for export of cotton, yarn and some other commodities whom online registration procedure has been prescribed for export. Earlier, physical form is mandatory to obtain the registration certificates (RCs). This is expected to simplify procedures for exporters.
- 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:

- According to Pakistan Cotton Ginners Association (PCGA), cotton arrivals surged by 9% to 12.67 million bales as on January 1,2014 from 11.59 million bales in last year. The textile mills purchase 10.62 million bales(up from 9.74 million bales in last year) and exporters buy 329090 bales (up from 186865 bales in last year). Meanwhile, 1.72 million bales are remained unsold against 1.66 million bales in last year.
- US sales of upland variety cotton totaled at 85,900 bales in the week ended on December 26,2013-USDA.
- China is getting its import contracts settled with India, and they prefer 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	0.00	920.00	939.50	920.00	939.50	1	0	10	0
Mar-14	0.00		951.00	951.00	951.00	0	0	1	-1
Apr-14	-6.50	1001.00	1007.00	995.50	998.00	6,569	-2,974	13224	6

	Feb-14	Mar-14	Apr-14
Spot	85.5		
Feb-14		11.5	
Mar-14			47

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	-0.10	954.80	954.80	948.00	949.90	24	-15	240	3
Apr-14	-6.30	1002.30	1008.10	999.00	1000.4	100	-229	378	-8

	Mar-14	Apr-14
Spot	75.1	
Mar-14		50.5
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	+/-	Open	High	Low	Close
31-Jan-14	-140	19740	19830	19610	19690
27-Feb-14	-140	20040	20140	19930	19990
31-Mar-14	-140	20320	20460	20250	20310
30-Apr-14	-120	20680	20780	20590	20620
30-May-14	-130	20780	21000	20780	20930
30-Jun-14	0				20850

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		4-Jan-14	3-Jan-14	
	Kapas	(Rs./Qtl.)		
Amravati	Mech-1	4650	4700	-50
Khandwa	Mech-1	Closed	4900	-
Khargaon	Mech-1	Closed	4900	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5100	5200	-100
Rajkot	B.T. Cotton	5125	5125	Unch
Patan	B.T. Cotton	-	5075	-
Muktsar	B.T. Cotton	5300	5300	Unch
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	5450	5450	Unch
Adampur	B.T. Cotton	5388	5385	3
Fatehabad	B.T. Cotton	5435	5425	10
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	5075	5050	25
Gondal	Shankar-6	4950	5000	-50
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4450	4330	120
Muktsar	J-34	4450	4330	120
Fazilika	J-34	NR	NR	-
Bhatinda	J-34	4335	4345	-10
Mansa	J-34	4450	4450	Unch
Sirsa	J-34	4360	4350	10
Sri-Ganganagar	J-34	4117	4136	-19

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		4-Jan-14	3-Jan-14	
Amravati	Mech-1	23000	22000	1000
Khandwa	Mech-1	Closed	3500	-
Khargaon	Mech-1	Closed	12000	-
Mahesana(Kadi)	B.T. Cotton	50000	50000	Unch
Rajkot	B.T. Cotton	2850	3100	-250
Patan	B.T. Cotton	-	4780	-
Muktsar	B.T. Cotton	425	425	Unch
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	1200	1000	200
Adampur	B.T. Cotton	6000	6000	Unch
Fatehabad	B.T. Cotton	400	600	-200
Ahmedabad	Shankar-6	102000	85000	17000
Gondal	Shankar-6	840	1200	-360
Abohar	J-34	850	850	Unch
Bhatinda	J-34	23800	25500	-1700
Mansa	J-34	850	680	170
Sirsa	J-34	850	850	Unch
Sri-Ganganagar	J-34	4250	3400	850

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				3-Jan-14	2-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39200	39200	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39900	39900	Unch
J-34(202)	26mm	3.5 - 4.9	23	40400	40500	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39500	39500	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	40500	40500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41200	41200	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42300	42300	Unch
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	NQ
CCIndex(229)	20305	-8

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

Cotlook Index: As on 03/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	89.1	-0.6

USDA Cotton Spot Rates: As on 03/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	81.44	83.94	162
North Delta	80.44	82.94	1746
South Delta	80.44	82.94	NIL
East TX-OK	78.25	81	796
West Texas	78.25	81.25	7104
Desert SW	78.19	85.19	700
SJ Valley	78.94	89.59	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 3/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	84.12	84.19	82.90	82.94	-1.10
May-14	84.02	84.02	82.88	82.93	-1.09
Jul-14	83.50	83.72	82.80	82.92	-1.06
Oct-14	79.08	79.08	79.08	79.08	-0.92
Dec-14	78.68	78.70	77.88	78.16	-0.78
Mar-15	79.00	79.00	78.91	78.91	-0.78

Pakistan Cotton Spot rates: As on 03 Jan 2014 (in Pakistan Rupees)

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

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