

## Domestic Fundamentals:

- Cotton market noticed mixed tone in domestic market on Tuesday.
- Prices of cotton moved higher at most of the market due to arrival lag.
- Arrivals stood lower at 172000 bales on Tuesday, compared to 185000 bales on Monday.
- Storage and transport of cotton (ginned and baled), would get levied the service tax as it is deemed ineligible for tax exemption; told finance minister P.Chidambaram in a letter to junior consumer affairs minister K.V. Thomas. Cotton is not in the negative list of items on which 12.36% of service tax doesn't gets levied. Officials of ministry of consumer said they are yet to review the clarification regarding the same.
- According to cotton association of India (CAI), output of cotton is expected to be around 37.60 million bales (of 170 kg each), which was estimated 37.88 million bales in November 2013. Cotton production in India was 35.68 million bales during last season (2012-13), as reported by CAI.
- **Weather** led the delayed arrivals, as north India is noticing fall in temperature, affecting nearby region also.
- **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 37.60 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 35 lakh bales compared to 40 lakh bales last season.
- **Consumption** is expected to be around 297 lakh bales compared to 283.16 last season, according to CAB.
- **Export** according to CAB (Cotton Advisory Board) estimates, are likely to be around 90 lakh bales this season.
- **Import** according to CAB (Cotton Advisory Board) estimates, is expected to be around 17 lakh bales this season.

## International Fundamentals:

- Brazil is likely to export 5.4 lakh tonne of cotton during the 2014 season and the domestic consumption is forecast at 9.2 million tonne. Brazil is expected to produce 1.67 million tone against the 1.3 million tonne produced in 2012-13 on the 22.5 percent rise in planted area -CONAB.
- China textile sector PMI for December decline by 3.9 percent to 37.3 percent. The fall is majorly due to lower output levels and capacity usage. Meanwhile, stocks surged higher along with slight gain in new orders-Beijing Cotton Outlook.
- Due to weak export sales data, cotton March delivery on ICE futures U.S. exchange closed three week low to 82.81 cents/lb on Thursday. It was 0.4% low of the day, whereas it stroked the high of 84.63 cents/lb.
- **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 prices to remain sideways to weak in coming days as arrivals are about to pick the pace.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14	-4	912.5	935	912.5	935	2	-1	12	-1
Mar-14	-26.5	945	945	945	945	1	1	2	0
Apr-14	3.5	1002.5	1008.5	994.5	1003.5	11,694	-4,684	17514	264

	Feb-14	Mar-14	Apr-14
Spot	171		
Feb-14		10	
Mar-14			58.5

**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	3	950	952.5	940.2	949.2	32	-36	218	3
Apr-14	4.2	1001.1	1011.5	998	1006.5	420	-171	512	-57

	Mar-14	Apr-14
Spot	156.8	
Mar-14		57.3
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-Jan-14	1.04	20130	20340	20080	20320
27-Feb-14	1.03	20380	20630	20360	20600
31-Mar-14	1.02	20680	20910	20640	20890
30-Apr-14	1.15	21000	21200	20960	21200
30-May-14	0.89	21360	21510	21320	21470
30-Jun-14	--	--	--	--	--

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		21-Jan-14	20-Jan-14	
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Amravati	Mech-1	4950	-	-
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5500	5400	100
Rajkot	B.T. Cotton	5530	5510	20
Patan	B.T. Cotton	5375	5400	-25
Muktsar	B.T. Cotton	5300	5350	-50
Fazilika	B.T. Cotton	5500	5600	-100
Bhiwani	B.T. Cotton	5570	5600	-30
Adampur	B.T. Cotton	5435	5450	-15
Fatehabad	B.T. Cotton	5500	5500	Unch
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5400	5400	Unch
Gondal	Shankar-6	5425	5425	Unch
<b>Lint</b>		<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4550	4500	50
Muktsar	J-34	4550	4500	50
Fazilika	J-34	4525	4520	5
Bhatinda	J-34	4530	4510	20
Mansa	J-34	4500	4490	10
Sirsa	J-34	4425	4420	5
Sri-Ganganagar	J-34	4183	4183	Unch
Adilabad	>30mm	4482	4482	Unch
Warangal	>30mm	4482	4482	Unch
Guntur	>30mm	4482	4482	Unch
Bhainsa	>30mm	4482	4482	Unch

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		21-Jan-14	20-Jan-14	
Amravati	Mech-1	28500	-	-
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Mahesana(Kadi)	B.T. Cotton	35000	45000	-10000
Rajkot	B.T. Cotton	3800	5000	-1200
Patan	B.T. Cotton	4600	6550	-1950
Muktsar	B.T. Cotton	340	255	85
Fazilika	B.T. Cotton	1000	900	100
Bhiwani	B.T. Cotton	500	600	-100
Adampur	B.T. Cotton	150	400	-250
Fatehabad	B.T. Cotton	600	500	100
Ahmedabad	Shankar-6	102000	85000	17000
Gondal	Shankar-6	909	1100	-191
Abohar	J-34	510	850	-340
Bhatinda	J-34	27200	30600	-3400
Mansa	J-34	850	1020	-170
Sirsa	J-34	850	1190	-340

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				20-Jan-14	19-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	40900	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	41400	-500
J-34(202)	26mm	3.5 - 4.9	23	41200	41200	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41000	41300	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	42000	42500	-500
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42400	42900	-500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	44000	-500
DCH-32(107)	34mm	3.0 - 3.8	33	64500	65000	-500

## INTERNATIONAL PRICES AND INDICES

### China Cotton Index: As on 21/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19397	<b>-7</b>
CCIndex(527)	NQ	NQ
CCIndex(229)	20242	<b>-9</b>

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

### Cotlook Index: As on 20/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	93.05	<b>0.45</b>

### USDA Cotton Spot Rates: As on 17/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	85.80	88.80	<b>1468</b>
North Delta	84.80	87.30	<b>791</b>
South Delta	84.80	87.30	<b>NIL</b>
East TX-OK	81.25	83.50	<b>4816</b>
West Texas	81.28	83.75	<b>32456</b>
Desert SW	81.80	88.55	<b>600</b>
SJ Valley	82.55	93.20	<b>NIL</b>

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 17/1/2014

Contract	Open	High	Low	Close	Change
<b>Mar-14</b>	86.01	87.14	85.89	86.80	<b>0.61</b>
<b>May-14</b>	86.45	87.29	86.09	87.05	<b>0.65</b>
<b>Jul-14</b>	85.50	86.50	85.50	86.36	<b>0.49</b>
<b>Oct-14</b>	81.52	81.52	81.52	81.52	<b>0.35</b>
<b>Dec-14</b>	79.50	80.00	79.48	79.88	<b>0.21</b>
<b>Mar-15</b>	80.23	80.31	80.05	80.25	<b>-0.05</b>

### Pakistan Cotton Spot rates: As on 20 Jan 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32kgs	7050	155	7205
<b>Equivalent</b>	40kgs	7555	155	7710

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