

Domestic Fundamentals:

- Cotton market noticed firm tone in domestic market on Wednesday.
- Prices of cotton moved higher in most of the markets due to supply deficit and strong demand.
- Arrivals stood lower at 162000 bales on Wednesday, compared to 172000 bales on Tuesday.
- As per the report from Reuters, the position of India being the second largest exporter could get tumbled and it could become importer within three to four years. Reason for the same is the degraded yield which could force textile mills to compete with China, the largest producer of cotton.
- 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.
- **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:

- Australia is expected to lag on production of cotton at 4 million bales (227kgs), due to dry and hot weather.
- 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.
- **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 | 15 | 935 | 939 | 909 | 939 | 6 | 4 | 10 | -2 |
| Mar-14 | | 968 | 968 | 968 | 968 | 1 | 1 | 2 | 0 |
| Apr-14 | 11.5 | 1008 | 1018.5 | 1008 | 1016 | 14,043 | 2,349 | 17212 | -302 |

| | Feb-14 | Mar-14 | Apr-14 |
|--------|--------|--------|--------|
| Spot | 179 | | |
| Feb-14 | | 29 | |
| Mar-14 | | | 48 |

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 | 3.5 | 957 | 959.9 | 946.2 | 952.1 | 25 | -7 | 218 | 0 |
| Apr-14 | 11.8 | 1018 | 1020.5 | 1012.1 | 1019.1 | 360 | -60 | 433 | -79 |

| | Mar-14 | Apr-14 |
|--------|--------|--------|
| Spot | 165.9 | |
| Mar-14 | | 67 |
| 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 | 1.72 | 20400 | 20650 | 20400 | 20650 |
| 27-Feb-14 | 1.75 | 20690 | 20970 | 20690 | 20960 |
| 31-Mar-14 | 1.77 | 20980 | 21250 | 20980 | 21250 |
| 30-Apr-14 | 1.7 | 21380 | 21520 | 21310 | 21520 |
| 30-May-14 | 1.59 | 21590 | 21770 | 21580 | 21760 |
| 30-Jun-14 | -- | -- | -- | -- | -- |

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|----------------|-------------|--------------------------------------|-----------|------------|
| | | 22-Jan-14 | 21-Jan-14 | |
| Kapas | | (Rs/Qtl) | | |
| Amravati | Mech-1 | 5000 | 4950 | 50 |
| Khandwa | Mech-1 | - | - | - |
| Khargaon | Mech-1 | - | - | - |
| Kapas | | (Rs/Qtl) | | |
| Mahesana(Kadi) | B.T. Cotton | 5550 | 5500 | 50 |
| Rajkot | B.T. Cotton | 5590 | 5530 | 60 |
| Patan | B.T. Cotton | 5535 | 5375 | 160 |
| Muktsar | B.T. Cotton | 5350 | 5300 | 50 |
| Fazilika | B.T. Cotton | 5600 | 5500 | 100 |
| Bhiwani | B.T. Cotton | 5525 | 5570 | -45 |
| Adampur | B.T. Cotton | 5500 | 5435 | 65 |
| Fatehabad | B.T. Cotton | 5530 | 5500 | 30 |
| Kapas | | (Rs/Qtl) | | |
| Ahmedabad | Shankar-6 | 5550 | 5400 | 150 |
| Gondal | Shankar-6 | 5455 | 5425 | 30 |
| Lint | | Rs./Maunder (of 37.32kg each) | | |
| Abohar | J-34 | 4560 | 4550 | 10 |
| Muktsar | J-34 | 4525 | 4550 | -25 |
| Fazilika | J-34 | 4600 | 4525 | 75 |
| Bhatinda | J-34 | 4600 | 4530 | 70 |
| Mansa | J-34 | 4540 | 4500 | 40 |
| Sirsa | J-34 | 4480 | 4425 | 55 |
| Sri-Ganganagar | J-34 | 4230 | 4183 | 47 |
| Adilabad | >30mm | 4519 | 4482 | 37 |
| Warangal | >30mm | 4519 | 4482 | 37 |
| Guntur | >30mm | 4498 | 4482 | 16 |
| Bhainsa | >30mm | 4493 | 4482 | 11 |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|----------------|-------------|----------------|-----------|--------|
| | | 22-Jan-14 | 21-Jan-14 | |
| Amravati | Mech-1 | 28500 | 28500 | Unch |
| Khandwa | Mech-1 | - | - | - |
| Khargaon | Mech-1 | - | - | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 25000 | 35000 | -10000 |
| Rajkot | B.T. Cotton | 3725 | 3800 | -75 |
| Patan | B.T. Cotton | 3450 | 4600 | -1150 |
| Muktsar | B.T. Cotton | 340 | 340 | Unch |
| Fazilika | B.T. Cotton | - | 1000 | - |
| Bhiwani | B.T. Cotton | 500 | 500 | Unch |
| Adampur | B.T. Cotton | 300 | 150 | 150 |
| Fatehabad | B.T. Cotton | 600 | 600 | Unch |
| | | | | |
| Ahmedabad | Shankar-6 | 85000 | 102000 | -17000 |
| Gondal | Shankar-6 | 1053 | 909 | 144 |
| | | | | |
| Abohar | J-34 | 340 | 510 | -170 |
| Bhatinda | J-34 | 11900 | 27200 | -15300 |
| Mansa | J-34 | 425 | 850 | -425 |
| Sirsa | J-34 | 680 | 850 | -170 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|--|---------------|------------|------------------|------------------|------------------|--------|
| | | | | 21-Jan-14 | 20-Jan-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 40400 | 40400 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 40900 | 40900 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 41400 | 41200 | 200 |
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 41200 | 41000 | 200 |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 42200 | 42000 | 200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 42600 | 42400 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 43700 | 43500 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 64000 | 64500 | -500 |

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 22/Jan/2014

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 19403 | 6 |
| CCIndex(527) | NQ | NQ |
| CCIndex(229) | 20255 | 13 |

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

Cotlook Index: As on 21/1/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 93.05 | Unch |

USDA Cotton Spot Rates: As on 21/1/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 87.13 | 90.13 | 1608 |
| North Delta | 86.13 | 88.63 | 0 |
| South Delta | 86.13 | 88.63 | 204 |
| East TX-OK | 82 | 84.25 | 1203 |
| West Texas | 82 | 84 | 11129 |
| Desert SW | 83.13 | 89.88 | 750 |
| SJ Valley | 83.88 | 94.53 | 0 |

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 21/1/2014

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-14 | 86.96 | 88.43 | 86.35 | 88.13 | +1.33 |
| May-14 | 87.00 | 88.62 | 86.55 | 88.40 | +1.35 |
| Jul-14 | 86.34 | 88.00 | 85.80 | 87.91 | +1.55 |
| Oct-14 | 82.00 | 82.00 | 82.00 | 82.00 | +0.48 |
| Dec-14 | 79.75 | 79.99 | 79.60 | 79.92 | +0.04 |
| Mar-15 | 80.00 | 80.67 | 80.00 | 80.67 | +0.42 |

Pakistan Cotton Spot rates: As on 21 Jan 2014 (in Pakistan Rupees)

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

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