

## Domestic Fundamentals:

- Cotton market noticed mixed tone in domestic market on Thursday.
- Prices of cotton ruled sideways amid mixed sentiments prevailing in the market.
- Arrivals stood lower at 145000 bales on Thursday, compared to 162000 bales on Wednesday.
- 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		0	0	0	0	0	-6	11	1
Mar-14		0	0	0	0	0	0	2	0
Apr-14	-14	1019	1021	1002	1002.5	11,682	-2,361	17589	377

	Feb-14	Mar-14	Apr-14
Spot	--		
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	-8.7	954	954	946.1	946.1	19	-6	213	-5
Apr-14	-12	1019.1	1019.1	1005.2	1006.6	217	-143	443	10

	Mar-14	Apr-14
Spot	189.9	
Mar-14		60.5
Apr-14		

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

**MCX Cotton Futures Closed (29 mm Variety):**

Contract	Change%	Open	High	Low	Close
31-Jan-14	-0.49	20650	20650	20490	20500
27-Feb-14	-0.43	20960	20960	20810	20830
31-Mar-14	-0.57	21150	21240	21090	21090
30-Apr-14	-0.56	21490	21500	21360	21370
30-May-14	-0.46	21670	21730	21630	21630
30-Jun-14	--	--	--	--	--

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

Centre	Variety	Prices		Change
		23-Jan-14	22-Jan-14	
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Amravati	Mech-1	NR	5000	-
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5550	5550	Unch
Rajkot	B.T. Cotton	5680	5590	90
Patan	B.T. Cotton	5605	5535	70
Muktsar	B.T. Cotton	5550	5350	200
Fazilika	B.T. Cotton	5670	5600	70
Bhiwani	B.T. Cotton	5680	5525	155
Adampur	B.T. Cotton	5535	5500	35
Fatehabad	B.T. Cotton	5600	5530	70
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5500	5550	-50
Gondal	Shankar-6	5530	5455	75
<b>Lint</b>		<b>Rs./Maunder (of 37.32kg each)</b>		
Abohar	J-34	4580	4560	20
Muktsar	J-34	4600	4525	75
Fazilika	J-34	4590	4600	-10
Bhatinda	J-34	4600	4600	Unch
Mansa	J-34	4580	4540	40
Sirsa	J-34	4510	4480	30
Sri-Ganganagar	J-34	4183	4230	-47
Hanumangarh	J-34	4425	4470	-45
Adilabad	>30mm	4550	4519	31
Warangal	>30mm	4550	4519	31
Guntur	>30mm	4524	4498	26
Bhainsa	>30mm	4524	4493	31

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		23-Jan-14	22-Jan-14	
Amravati	Mech-1	NR	28500	-
Khandwa	Mech-1	NR	-	-
Khargaon	Mech-1	NR	-	-
Mahesana(Kadi)	B.T. Cotton	45000	25000	20000
Rajkot	B.T. Cotton	2925	3725	-800
Patan	B.T. Cotton	4270	3450	820
Muktsar	B.T. Cotton	340	340	Unch
Fazilika	B.T. Cotton	1000	-	-
Bhiwani	B.T. Cotton	500	500	Unch
Adampur	B.T. Cotton	300	300	Unch
Fatehabad	B.T. Cotton	550	600	-50
Ahmedabad	Shankar-6	85000	85000	Unch
Gondal	Shankar-6	953	1053	-100
Abohar	J-34	170	340	-170
Bhatinda	J-34	11900	11900	Unch
Mansa	J-34	595	425	170
Sirsa	J-34	510	680	-170
Sri-Ganganagar	J-35	1700	1700	Unch
Hanumangarh	J-34	1500	1200	300

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				22-Jan-14	21-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	40900	40900	Unch
J-34(202)	26mm	3.5 - 4.9	23	42100	41400	700
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41700	41200	500
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42200	500
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	42600	500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44200	43700	500
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64000	Unch

## INTERNATIONAL PRICES AND INDICES

### China Cotton Index: As on 23/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19408	5
CCIndex(527)	NQ	NQ
CCIndex(229)	20261	6

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

### Cotlook Index: As on 22/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	94.45	1.4

### USDA Cotton Spot Rates: As on 22/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	86.84	89.84	222
North Delta	85.84	88.34	0
South Delta	85.84	88.34	0
East TX-OK	81.75	84.00	845
West Texas	81.75	83.75	8607
Desert SW	82.84	89.59	88
SJ Valley	83.59	94.24	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 22/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	88.00	88.20	86.64	87.84	-0.29
May-14	88.22	88.43	86.97	88.01	-0.39
Jul-14	87.64	87.98	86.62	87.67	-0.24
Oct-14	81.05	81.50	81.05	81.50	-0.50
Dec-14	79.80	79.92	78.75	79.67	-0.25
Mar-15	80.37	80.37	80.37	80.37	-0.30

### Pakistan Cotton Spot rates: As on 22 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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