

Domestic Fundamentals:

- Cotton market noticed weak to mixed tone in domestic market on Friday.
- Prices of cotton ruled lower amid higher arrivals of produce as weather improves.
- Arrivals stood higher at 163000 on Friday, compared to 145000 bales on Thursday.
- According to a report from Reuters, an export incentive for cotton yarn has been restored. Directorate general of foreign trade (DGFT) though gave no reason for the same. It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September. Secretary General of confederation of Indian textile industry (CITI) said that those who will export more than the previous year will be eligible for the 2 percent incremental export benefit.
- 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.
- **Weather** has improved slightly in most of the cotton growing region, which has improved the arrivals.
- **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:

- As per the reports, prices of cotton are being dictated by China import and stockpiling policy. Currently about 45 million bales of cotton is being stocked in China government reserves which is creating artificial shortage of cotton on global forefront. Cotton stakeholders are closely looking over the moves of China in order to determine the future of cotton. If China does not release the stocks, prices of cotton would move sharply and condition could reverse if it starts using its own inventory to fulfill its need of cotton. It should be noted that China has restrictive policy for imports.
- Australia is expected to lag on production of cotton at 4 million bales (227kgs), due to dry and hot weather.
- **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	-3.5	917	936	915.5	928	5	5	11	0
Mar-14		0	0	0	0	0	0	2	0
Apr-14	-5	1000	1007.5	991.5	998	18,515	6,833	17486	-103

	Feb-14	Mar-14	Apr-14
Spot	185		
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	-9.2	942.5	949.9	937.6	940.1	41	22	209	-4
Apr-14	-3.8	1004.6	1008.6	994.2	1002.2	400	183	443	0

	Mar-14	Apr-14
Spot	172.9	
Mar-14		62.1
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	-0.2	20440	20590	20260	20460
27-Feb-14	-0.29	20770	20870	20560	20750
31-Mar-14	-0.43	21040	21120	20840	21020
30-Apr-14	-0.37	21320	21400	21090	21280
30-May-14	-0.37	21640	21660	21390	21570
30-Jun-14	--	--	--	--	--

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		24-Jan-14	23-Jan-14	
Kapas		(Rs/Qtl)		
Amravati	Mech-1	5000	NR	-
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
Kapas		(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5550	5550	Unch
Rajkot	B.T. Cotton	5565	5680	-115
Patan	B.T. Cotton	5555	5605	-50
Muktsar	B.T. Cotton	5550	5550	Unch
Fazilika	B.T. Cotton	5680	5670	10
Bhiwani	B.T. Cotton	5640	5680	-40
Adampur	B.T. Cotton	5450	5535	-85
Fatehabad	B.T. Cotton	5585	5600	-15
Kapas		(Rs/Qtl)		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	5455	5530	-75
Lint		Rs./Maund (of 37.32kg each)		
Abohar	J-34	4580	4580	Unch
Muktsar	J-34	4590	4600	-10
Fazilika	J-34	4590	4590	Unch
Bhatinda	J-34	4590	4600	-10
Mansa	J-34	4575	4580	-5
Sirsa	J-34	4490	4510	-20
Sri-Ganganagar	J-34	4230	4183	47
Hanumangarh	J-34	4525	4425	100
Adilabad	>30mm	4550	4550	Unch
Warangal	>30mm	4550	4550	Unch
Guntur	>30mm	4524	4524	Unch
Bhainsa	>30mm	4524	4524	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		24-Jan-14	23-Jan-14	
Amravati	Mech-1	29000	-	-
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
Mahesana(Kadi)	B.T. Cotton	40000	45000	-5000
Rajkot	B.T. Cotton	4000	2925	1075
Patan	B.T. Cotton	6050	4270	1780
Muktsar	B.T. Cotton	340	340	Unch
Fazilika	B.T. Cotton	1000	1000	Unch
Bhiwani	B.T. Cotton	600	500	100
Adampur	B.T. Cotton	300	300	Unch
Fatehabad	B.T. Cotton	600	550	50
Ahmedabad	Shankar-6	93500	85000	8500
Gondal	Shankar-6	1314	953	361
Abohar	J-34	850	170	680
Bhatinda	J-34	15300	11900	3400
Mansa	J-34	1020	595	425
Sirsa	J-34	850	510	340
Sri-Ganganagar	J-34	1700	1700	Unch
Hanumangarh	J-34	2000	1500	500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				23-Jan-14	22-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	40900	40400	500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	41400	40900	500
J-34(202)	26mm	3.5 - 4.9	23	42200	42100	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41700	41700	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42700	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	43100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44200	44200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64000	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 24/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19419	11
CCIndex(527)	NQ	NQ
CCIndex(229)	20276	15

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

Cotlook Index: As on 23/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	94.25	-0.2

USDA Cotton Spot Rates: As on 23/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	86.33	89.33	3336
North Delta	85.33	87.83	0
South Delta	85.33	87.83	0
East TX-OK	81.25	83.50	3228
West Texas	81.25	83.25	2728
Desert SW	82.33	89.08	0
SJ Valley	83.08	93.73	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 23/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	87.91	88.15	86.95	87.33	-0.51
May-14	87.98	88.40	87.25	87.61	-0.40
Jul-14	87.57	88.00	87.18	87.54	-0.13
Oct-14	81.25	81.25	81.25	81.25	-0.25
Dec-14	79.55	79.72	79.12	79.31	-0.36
Mar-15	79.99	79.99	79.99	79.99	-0.38

Pakistan Cotton Spot rates: As on 23 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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