

## Domestic Fundamentals:

- Cotton market noticed mixed tone in domestic market on Wednesday.
- Prices of cotton ruled sideways amid mixed sentiments prevailing in the market.
- Arrivals stood higher at 199000 bales today compared to 189000 bales on Tuesday.
- Cotton prices are likely to get a uptrend movement as export enquiry has been reported in the market and government is likely to take a call on allowing more export. Further demand has been noticed from Pakistan and Bangladesh for premium quality Indian cotton.
- According to a research in Germany, the calorie consumption and dietary quality has been increased among the small scale cotton growers in India, due to use of Genetically Modified (GM) crop, which gave them the higher yield and ultimately the better value of their produce.
- 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 It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September.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.
- **Weather** has improved in most of the cotton growing region, which is leading to harvesting and so 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:

- Burkina Faso's (West Africa) cotton output surged by 14% to 7.1 lakh tonne in 2013-14.
- 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 likely to increase.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14	8	921.5	921.5	921.5	921.5	1	-1	12	0
Mar-14				0	0	0	0	2	0
Apr-14	3	987.5	994.5	984	994.5	9,452	-2,950	17281	-416

	Feb-14	Mar-14	Apr-14
Spot	198.5		
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	2.10	930.50	935.50	929.20	935.50	14	-16	207	-1
Apr-14	3.90	990.60	996.90	985.50	996.90	204	-27	426	12

	Mar-14	Apr-14
Spot	184.5	
Mar-14		61.4
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	0.29	20340	20430	20220	20410
27-Feb-14	0.24	20620	20660	20480	20650
31-Mar-14	0.24	20860	20940	20760	20930
30-Apr-14	0.09	21110	21160	21020	21140
30-May-14	0.14	21330	21450	21310	21430
30-Jun-14	--	--	--	--	--

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

Centre	Variety	Prices		Change
		29-Jan-14	28-Jan-14	
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Amravati	Mech-1	4925	4900	<b>25</b>
Khandwa	Mech-1	-	-	<b>-</b>
Khargaon	Mech-1	-	-	<b>-</b>
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5450	5500	<b>-50</b>
Rajkot	B.T. Cotton	5600	5545	<b>55</b>
Patan	B.T. Cotton	5365	5500	<b>-135</b>
Muktsar	B.T. Cotton	5500	5450	<b>50</b>
Fazilika	B.T. Cotton	5440	5430	<b>10</b>
Bhiwani	B.T. Cotton	5555	5550	<b>5</b>
Adampur	B.T. Cotton	5350	5330	<b>20</b>
Fatehabad	B.T. Cotton	5425	5500	<b>-75</b>
Jind	B.T. Cotton	5427	5460	<b>-33</b>
Rawatsar (Hanumangarh)	B.T. Cotton	5325	5350	<b>-25</b>
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5450	5500	<b>-50</b>
Gondal	Shankar-6	5440	5505	<b>-65</b>
<b>Lint</b>		<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4520	4530	<b>-10</b>
Muktsar	J-34	4520	4530	<b>-10</b>
Fazilika	J-34	4490	4525	<b>-35</b>
Bhatinda	J-34	4535	4540	<b>-5</b>
Mansa	J-34	4500	4520	<b>-20</b>
Sirsa	J-34	4430	4425	<b>5</b>
Sri-Ganganagar	J-34	4183	4183	<b>Unch</b>
Hanumangarh	B.T. Cotton	4450	4470	<b>-20</b>
Adilabad	>30mm	4498	4498	<b>Unch</b>
Warangal	>30mm	4498	4498	<b>Unch</b>
Guntur	>30mm	4482	4482	<b>Unch</b>
Bhainsa	>30mm	4482	4482	<b>Unch</b>

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		29-Jan-14	28-Jan-14	
Amravati	Mech-1	29500	29500	Unch
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Mahesana(Kadi)	B.T. Cotton	70000	65000	5000
Rajkot	B.T. Cotton	6500	2200	4300
Patan	B.T. Cotton	6767	6540	227
Fazilika	B.T. Cotton	1200	1300	-100
Bhiwani	B.T. Cotton	600	600	Unch
Adampur	B.T. Cotton	850	850	Unch
Fatehabad	B.T. Cotton	400	1000	-600
Jind	B.T. Cotton	6800	5100	1700
Rawatsar (Hanumangarh)	B.T. Cotton	250	300	-50
Ahmedabad	Shankar-6	85000	93500	-8500
Gondal	Shankar-6	1452	1340	112
Abohar	J-34	1190	1190	Unch
Muktsar	J-34	510	510	Unch
Bhatinda	J-34	37400	30600	6800
Mansa	J-34	170	2040	-1870
Sirsa	J-34	1700	1700	Unch
Sri-Ganganagar	J-34	3400	3400	Unch
Hanumangarh	B.T. Cotton	1500	1500	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				28-Jan-14	27-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40700	40700	Unch
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	41400	41400	Unch
J-34(202)	26mm	3.5 - 4.9	23	41400	41500	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41900	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42700	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43200	43200	Unch

MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44000	44000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	64500	64500	Unch

## INTERNATIONAL PRICES AND INDICES

### China Cotton Index: As on 29/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19436	7
CCIndex(527)	NQ	NQ
CCIndex(229)	20300	5

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

### Cotlook Index: As on 28/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	91.05	-2.7

### USDA Cotton Spot Rates: As on 28/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	83.35	86.35	418
North Delta	82.35	84.85	NIL
South Delta	82.35	84.85	NIL
East TX-OK	79.25	81.5	1784
West Texas	79.25	81.25	1531
Desert SW	78.85	85.35	NIL
SJ Valley	79.60	90.25	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 28/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	84.02	84.99	84.02	84.35	+0.10
May-14	84.70	85.43	84.65	84.85	+0.14
Jul-14	84.77	85.40	84.63	84.93	+0.17
Oct-14	78.74	78.74	78.74	78.74	+0.20
Dec-14	76.70	77.00	76.57	76.91	+0.24
Mar-15	77.51	77.51	77.51	77.51	+0.12

### Pakistan Cotton Spot rates: As on 28 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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