

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone in domestic market on Friday. Prices of cotton are ruling sideways due to weak demand and ample supply in the market. Arrivals stood higher at 187000 bales today compared to 197000 bales on Thursday.

In The News: Outlook for cotton textile sector has been revised by India Ratings and Research (Ind-Ra) for FY15 from negative to Stable due to growing revenue and stable margins.

A Memorandum of Understanding has been signed by ICA (The International Cotton Association) and CAI (Cotton Association of India) in order to enhance the bilateral cotton trade and its related aspects. It should be noted that majority of laws and rules for overseas cotton trade are being issued by ICA, an arbitral body. The MOU between these two bodies is dedicated to dissemination of information and intelligence, training and development, exchange of delegation and resolving the members' issues.

National Agriculture Cooperative Marketing Federation of India Ltd. (NAFED) has sold 10,000 bales of cotton last week in local market, and about 11500 bales of cotton is left at Adilabad, Guntur and Warangal warehouses.

India is looking for the duty free access to the markets of European Union for its Garments and Textiles. Textile Minister K.S. Rao said that India is already negotiating with Germany and UK for zero duty access. He also said that Ministry of Textile has discussed with Finance Ministry for an interest rate subvention of 3%-4% for textile exporters.

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:

- USDA's CCC (Commodity Credit Corporation) has announced that it will implement a special quota for upland cotton. This step is taken by the department in order to stabilize the market, when the prevailing prices moves higher than the world market for a period of four weeks.
- **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 demand is likely to be sluggish.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14							-1	8	-2
Mar-14	0	958	958	958	958	2	0	3	0
Apr-14	-6	1007	1014	997	999.5	19,725	7,780	16938	-809

	Feb-14	Mar-14	Apr-14
Spot	--		
Feb-14		--	
Mar-14			41.5

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	-6.60	958.20	960.10	951.00	951.00	134	21	219	-5
Apr-14	-4.50	1009.50	1016.90	1001.00	1003.50	446	114	479	17

	Mar-14	Apr-14
Spot	160	
Mar-14		52.5
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
27-Feb-14	0.82	20740	20920	20700	20900
31-Mar-14	0.81	21050	21230	21010	21200
30-Apr-14	0.8	21300	21490	21300	21460
30-May-14	0.98	21630	21750	21580	21710
30-Jun-14	0.74	21890	21900	21890	21900

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		7-Feb-14	6-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	5000	4900	100
Khandwa	Mech-1	5300	5300	Unch
Khargaon	Mech-1	5300	5300	Unch
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5550	5425	125
Rajkot	B.T. Cotton	5555	5515	40
Patan	B.T. Cotton	5550	5500	50
Muktsar	B.T. Cotton	5500	5500	Unch
Fazilika	B.T. Cotton	5635	5550	85
Bhiwani	B.T. Cotton	5750	5700	50
Adampur	B.T. Cotton	5550	5520	30
Fatehabad	B.T. Cotton	5625	5550	75
Jind	B.T. Cotton	5646	5578	68
Rawatsar (Hanumangarh)	B.T. Cotton	5500	5350	150
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	5475	5465	10
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4700	4650	50
Muktsar	J-34	4700	4650	50
Fazilika	J-34	4620	4650	-30
Bhatinda	J-34	4700	4665	35
Mansa	J-34	4685	4630	55
Sirsa	J-34	4580	4550	30
Sri-Ganganagar	J-34	4296	4301	-5
Hanumangarh	B.T. Cotton	4615	4590	25
Adilabad	>30mm	4498	4445	53
Warangal	>30mm	4508	4451	57
Guntur	>30mm	4472	4456	16
Bhainsa	>30mm	4498	4435	63

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)	Change
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		7-Feb-14	6-Feb-14	
Amravati	Mech-1	34000	32500	1500
Khandwa	Mech-1	6000	5000	1000
Khargaon	Mech-1	10000	5000	5000
Mahesana(Kadi)	B.T. Cotton	60000	80000	-20000
Rajkot	B.T. Cotton	4800	4600	200
Patan	B.T. Cotton	4100	6840	-2740
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	1500	600	900
Adampur	B.T. Cotton	850	680	170
Fatehabad	B.T. Cotton	800	600	200
Jind	B.T. Cotton	8500	10200	-1700
Rawatsar (Hanumangarh)	B.T. Cotton	60	150	-90
Ahmedabad	Shankar-6	93500	93500	Unch
Gondal	Shankar-6	1425	1389	36
Abohar	J-34	510	850	-340
Muktsar	J-34	340	340	Unch
Bhatinda	J-34	28900	28900	Unch
Mansa	J-34	340	1190	-850
Sirsa	J-34	340	1700	-1360
Sri-Ganganagar	J-34	1700	2550	-850
Hanumangarh	B.T. Cotton	1500	2000	-500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Feb-14	5-Feb-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39400	39400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39900	39900	Unch
J-34(202)	26mm	3.5 - 4.9	23	42900	42800	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42200	42000	200
Shankar-6(105)	29mm	3.5 - 4.9	28	42900	42600	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43600	43300	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44200	43900	300
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64000	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 7/Feb/2014

Index	RMB/Ton	Change
CCIndex(328)	19443	1
CCIndex(527)	17926	Unch
CCIndex(229)	20311	6

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

Cotlook Index: As on 6/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	92.30	Unch

USDA Cotton Spot Rates: As on 6/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	85.31	88.31	921
North Delta	84.31	86.81	NIL
South Delta	84.31	86.81	NIL
East TX-OK	81.50	83.75	1625
West Texas	81.50	83.50	2545
Desert SW	81.06	87.81	371
SJ Valley	81.81	92.46	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 6/2/2014

Contract	Open	High	Low	Close	Change
Mar-14	86.13	86.69	85.78	86.31	+0.79
May-14	86.40	87.31	86.33	86.92	+0.84
Jul-14	85.96	86.80	85.91	86.47	+0.83
Oct-14	79.00	79.21	79.00	79.21	+0.56
Dec-14	76.98	77.35	76.77	77.23	+0.29
Mar-15	77.56	77.77	77.26	77.71	+0.23

Pakistan Cotton Spot rates: As on 6 Feb 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32kgs	6950	155	7105
Equivalent	40kgs	7448	155	7603

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