

Domestic Fundamentals:

Market Outlook: Cotton spot market noticed mixed tone on Tuesday.

In The News: According to the data released by Maharashtra Department of Agriculture, around 90 lakh farmers have been affected severely by the drought this year, which has influenced mainly Marathwada and Vidarbha regions, the major cotton growing areas in the state. According to the officials, cotton output could fall by 1.5 crore quintal this year in the state.

According to the International Service for the Acquisition of Agri-Biotech Applications (ISAAA), India in year 2014 ranks fourth in the GM crop acreage in the world with the coverage of 11.6 million hectares, following US (73.1 mh), Brazil (42.2 mh) and Argentina (24.3 mh). The entire area under GM crop in India was Bt cotton as 96 percent of total cotton area is now Bt cotton, the GMO. Total area under GM crop stood 181.5 million hectares in 2014 compared to 175.2 million hectares in 2013.

India has surpassed China's growth in readymade garments (RMG) exports. According to data by UN Comtrade, garments exports from India surged 14.6% higher to USD 14 billion during January to October 2014, China on other hand, during the same period recorded the growth of 6.5% at USD 145 billion.

India could now face the hurdle of import duty in cotton yarn export to Pakistan. Pakistan Yarn Merchants Association (PYMA) demanded government to impose 15 per cent regulatory duty on cotton yarn imports from India as it is hurting the domestic market. According to PYMA cotton yarn imports during July to December 2014 has climbed fourfold of the imports during same period in 2013. All Pakistan Textile Mills Association (APTMA) had also pointed towards the expected threat to domestic textile sector driven by rise in cotton yarn imports from India.

Cotton Corporation of India (CCI) has invited the bids to sell 5,100 bales of cotton through e-auction. The sale of cotton in domestic market by CCI would pressurize the cotton prices which are already ruling weak due to cut in China cotton imports. On other hand CCI is forced to sell the cotton in domestic market due to lack in overseas demand.

India exported 1.24 lakh bales of cotton this week (19-25 Jan 2015), which was 1.26 lakh bales previous week (12-18 Jan 2015), according to the data compiled by IBIS. Imports on the other hand stood 0.13 lakh bales, which was 0.09 lakh bales previous week.

The Cotton Association of India (CAI) has revised the estimate of cotton production at 400.25 lakh bales for season 2014-15, slightly lower than previous year's production caused by yield loss in the central region of the country. According to CAI, cotton production stood 407.25 lakh bales in 2013-14. For the current season association estimated supply of 472.5 lakh bales, domestic consumption of 306 lakh bales and available surplus of 166.15 lakh bales.

International Fundamentals:

Certified cotton stocks deliverable against the ICE No.2 cotton futures contract as of Jan 28 stood at 57,423 (480-lb) bales, compared to 54,401 bales previous session, reported Reuters.

China recorded 7.4% growth in the economy, the slowest growth rate in nearly a quarter of a century, according to National Bureau of Statistics. Also International Monetary Fund (IMF) lowered its global growth forecast for 2015 to 3.5% which was estimated 3.8% earlier. Following the wave, World Bank also reduced its forecast for global economic expansion to 3%, around 0.4% lower than the previous estimate. March contract, most active contract on ICE, settled at 57.79 cents a pound, the lowest price recorded since August 27, 2009.

China cotton import during December noted a fall of 57 percent, when compared to corresponding month during the previous year. China imported 264,500 tons of cotton in December and 2.4 million tons during the year 2014, around 41 percent lower when compared to previous year.

Outlook

We expect domestic prices to remain weak to sideways in near term.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-------|-------|--------|--------|-------|--------|
| Apr-15 | 0.5 | 742 | 747 | 739.5 | 741 | 4608 | 1964 | 10671 | 385 |

| Spread | Apr-15 | | |
|--------|--------|---|---|
| Spot | 63 | - | - |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
Updated at 5:00 pm on 03-02-2015

MCX Cotton Futures: (Prices in Rs/170 kgs)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Feb-15 | -30 | 14810 | 14870 | 14710 | 14740 | 1045 | 461 | 4655 | 122 |
| Mar-15 | -30 | 15060 | 15080 | 14930 | 14950 | 477 | 255 | 4245 | 110 |
| Apr-15 | -20 | 15270 | 15310 | 15170 | 15180 | 125 | 24 | 2563 | 53 |
| May-15 | 50 | 15480 | 15480 | 15430 | 15430 | 21 | -24 | 300 | 5 |
| Jun-15 | -- | -- | -- | -- | -- | -- | -2 | 29 | 0 |

| Spread | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | -- |
|--------|--------|--------|--------|--------|--------|----|
| Spot | - | | | | | |
| Feb-15 | | -210 | | | | |
| Mar-15 | | | -230 | | | |
| Apr-15 | | | | -250 | | |
| May-15 | | | | | - | |
| Jun-15 | | | | | | |

(NB: Spread Basis = Spot- Near Month Future)
Updated at 5:00 pm on 03-02-2015

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

| Centre | Variety | Prices | | Change |
|------------------------|-----------------|-----------------------------------|----------|--------|
| | | 3-Feb-15 | 2-Feb-15 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 3825 | 3800 | 25 |
| Khandwa | Mech-1 | 4050 | 4050 | Unch |
| Khargaon | Mech-1 | 4050 | 4050 | Unch |
| | Kapas | | | |
| Mahesana(Kadi) | B.T. Cotton | 4200 | 4100 | 100 |
| Rajkot | B.T. Cotton | 4020 | 4000 | 20 |
| Patan | B.T. Cotton | 4105 | 4095 | 10 |
| Deesa | B.T. Cotton | Closed | 3905 | - |
| Muktsar | B.T. Cotton | 4100 | 4040 | 60 |
| Fazilika | B.T. Cotton | 4150 | 4150 | Unch |
| Bhiwani | B.T. Cotton | 4100 | 4125 | -25 |
| Adampur | B.T. Cotton | 4020 | -- | - |
| Fatehabad | B.T. Cotton | 4075 | 4065 | 10 |
| Dabwali | B.T. Cotton | 3950 | -- | - |
| Jind | B.T. Cotton | NA | 4134 | - |
| Uchana (Jind) | B.T. Cotton | 4100 | 4050 | 50 |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | 3990 | - |
| Hubli | B.T. Cotton | 3910 | NA | - |
| Hathras | B.T. Cotton(US) | -- | 4200 | - |
| Hanumangarh | B.T. Cotton | 4150 | 4100 | 50 |
| | Kapas | | | |
| Ahmedabad | Shankar-6 | 4125 | 4125 | Unch |
| Gondal | Shankar-6 | 4045 | 4000 | 45 |
| | Kapas | | | |
| Hathras | Desi | -- | 4700 | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4000 | 4101 | -101 |
| Guntur | Un-Ginned | 4050 | 4050 | Unch |
| Kurnool | Un-Ginned | 4250 | NA | - |
| Krishna | Un-Ginned | 4050 | 4050 | Unch |
| East Godavari | Un-Ginned | 4000 | 4000 | Unch |
| | Lint | Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 3280 | 3270 | 10 |
| Muktsar | J-34 | 3265 | 3270 | -5 |
| Fazilika | J-34 | 3280 | 3340 | -60 |
| Bhatinda | J-34 | 3290 | 3280 | 10 |
| Mansa | J-34 | 3260 | 3250 | 10 |
| Sirsa | J-34 | 3220 | 3210 | 10 |
| Sri-Ganganagar | J-34 | 3079 | 3055 | 24 |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-----------------|----------------|----------|--------|
| | | 3-Feb-15 | 2-Feb-15 | |
| Amravati | Mech-1 | 14300 | 13800 | 500 |
| Khandwa | Mech-1 | 300 | 600 | -300 |
| Khargaone | Mech-1 | 5000 | 8000 | -3000 |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 35000 | 35000 | Unch |
| Rajkot | B.T. Cotton | 3200 | 3950 | -750 |
| Patan | B.T. Cotton | 7587 | 9555 | -1968 |
| Deesa | B.T. Cotton | Closed | 550 | - |
| Fazilika | B.T. Cotton | 200 | 500 | -300 |
| Muktsar | B.T. Cotton | 85 | 170 | -85 |
| Bhiwani | B.T. Cotton | 1000 | 1000 | Unch |
| Adampur | B.T. Cotton | 510 | -- | - |
| Fatehabad | B.T. Cotton | 125 | 400 | -275 |
| Dabwali | B.T. Cotton | 175 | -- | - |
| Jind | B.T. Cotton | NA | 170 | - |
| Uchana (Jind) | B.T. Cotton | 500 | 1600 | -1100 |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | 50 | - |
| Hubli | B.T. Cotton | NA | NA | - |
| Hathras | B.T. Cotton(US) | -- | NA | - |
| Hanumangarh | B.T. Cotton | 1000 | 500 | 500 |
| | | | | |
| Ahmedabad | Shankar-6 | 76500 | 76500 | Unch |
| Gondal | Shankar-6 | 776 | 659 | 117 |
| | | | | |
| Hathras | Desi | -- | NA | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 2010 | 1890 | 120 |
| Guntur | Un-Ginned | 1 | 1 | Unch |
| Kurnool | Un-Ginned | 90 | NA | - |
| Krishna | Un-Ginned | NA | 1 | - |
| East Godavari | Un-Ginned | NA | NA | - |
| | | | | |
| Abohar | J-34 | 340 | 680 | -340 |
| Bhatinda | J-34 | NA | 13600 | - |
| Mansa | J-34 | 850 | 1190 | -340 |
| Sirsa | J-34 | NA | 850 | - |
| Sri-Ganganagar | J-34 | 3400 | 3400 | Unch |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|--------|------------|------------------|------------------|------------------|--------|
| | | | | 2-Feb-15 | 31-Jan-15 | |
| Bengal Deshi (RG)/Assam Comilla (101) | < 22mm | 5.0 - 7.0 | 15 | 28900 | 29400 | -500 |
| Bengal Deshi (SG)(201) | < 22mm | 5.0 - 7.0 | 15 | 29400 | 29900 | -500 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 30100 | 30200 | -100 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 29600 | 29300 | 300 |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 30400 | 30100 | 300 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 33000 | 32800 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 34000 | 33800 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 42400 | 42400 | Unch |

Cotton Seed Oil Prices
Refined Cotton Seed Oil at Key Centers:

| Centre | Unit | Price | | Change |
|-----------|-------------|----------|----------|--------|
| | | 3-Feb-15 | 2-Feb-15 | |
| Rajkot | Rs. /10 Kg. | 570 | 560 | 10 |
| New Delhi | Rs. /10 Kg. | 585 | 595 | -10 |
| Hyderabad | Rs. /10 Kg. | 585 | 575 | 10 |
| Mumbai | Rs. /10 Kg. | 583 | 578 | 5 |

Cotton Oil Seed Cake Prices
Cotton Oil Seed Cake Prices at Key Centers:

| Centre | Unit | Price | | Change |
|-----------------|---------|----------|----------|--------|
| | | 3-Feb-15 | 2-Feb-15 | |
| Mahesana (Kadi) | Rs./Qtl | 1514 | 1509 | 5 |
| Akola | Rs./Qtl | 1443 | 1442 | 1 |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 3/2/2015

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 13458 | -2 |
| CCIndex(527) | 12450 | Unch |
| CCIndex(229) | 14176 | Unch |

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

Cotlook Index: As on 2/2/2015

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 67.05 | -0.25 |

USDA Cotton Spot Rates: As on 2/2/2015

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 60.89 | 64.14 | 1340 |
| North Delta | 59.64 | 62.39 | NIL |
| South Delta | 59.64 | 62.39 | NIL |
| East TX-OK | 57.50 | 59.75 | 6321 |
| West Texas | 57.50 | 59.75 | 22319 |
| Desert SW | 57.89 | 64.89 | NIL |
| SJ Valley | 58.89 | 68.79 | 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 2/2/2015

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-15 | 59.10 | 60.08 | 58.88 | 59.89 | 0.53 |
| May-15 | 60.03 | 60.53 | 59.59 | 60.27 | 0.25 |
| Jul-15 | 60.81 | 61.31 | 60.46 | 60.97 | 0.12 |
| Oct-15 | 61.92 | 61.92 | 61.92 | 61.92 | 0.12 |
| Dec-15 | 62.49 | 63.05 | 62.35 | 62.67 | -0.12 |
| Mar-16 | 63.06 | 63.64 | 62.83 | 63.64 | 0.35 |

Pakistan Cotton Spot rates: As on 2/2/2015 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 4750 | 150 | 4900 |
| Equivalent | 40 Kgs | 5091 | 160 | 5251 |

Disclaimer

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