Current Market Outlook

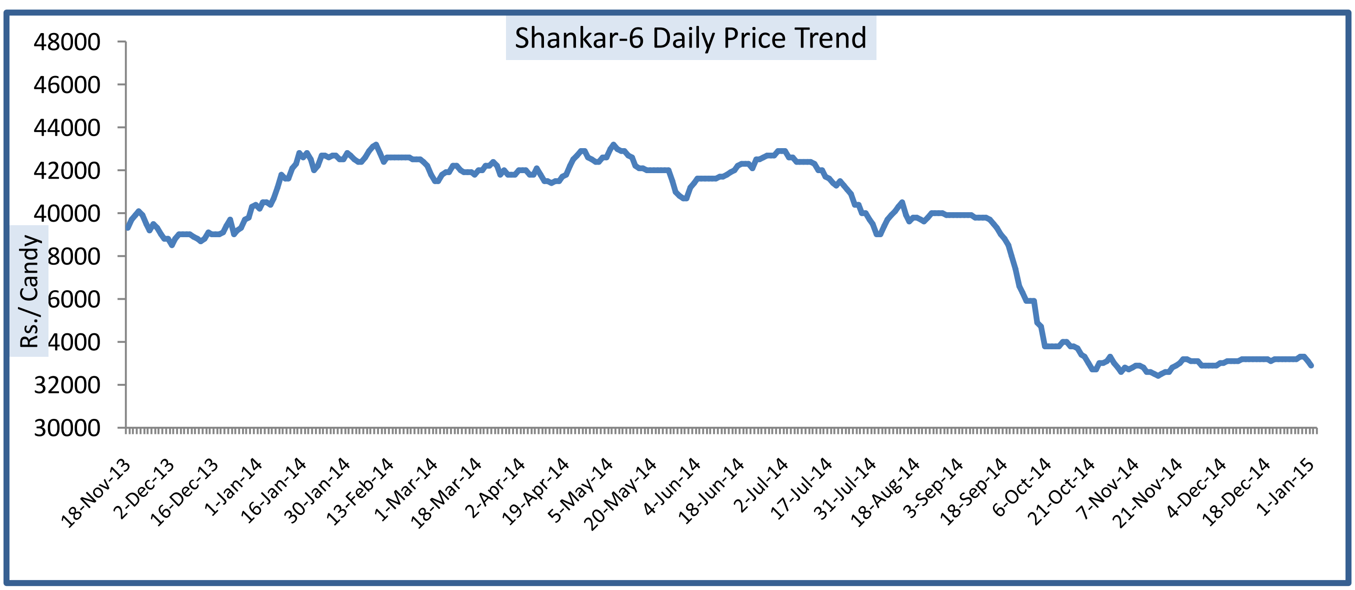
According to the final estimates of Gujarat Agriculture Department, total area for the cotton cultivation in state stood 2519 thousand hectare in season 2013-14. Total production estimated at 10088 thousand bales and average yield (In Lint) was 680 kgs. per hectares.

Cotton Corporation of India (CCI) has procured 2.50 million bales of cotton till December 2014 in the season 2014-15. The same has the highest since 2008-09 when the CCI procured 8.9 million bales in the entire season. Last year CCI procured only 40813 bales in the entire season.

As estimated by USDA, cotton export from India would be around 1.089 million tonnes this season (2014-15), around 46% lower when compared to the exports in previous season, which was 2.015 million tonnes.

According to Cotton Association of India (CAI) cotton output in the country would stand around 402 lakh bales in season 2014-15, slightly lower than the production of previous season when it was 407.25 lakh bales. The expected fall in production in Gujarat has been considered the reason for the fall in production in the country. Gujarat is projected to produce 122 lakh bales of cotton this season compared to 129.5 lakh bales previous season.

India has relaxed the rules applied to cotton and cotton yarn export in order to boost the export volume from country. The government of India has dispensed the requirement of registration to Directorate General of Foreign Trade (DGFT) for exports of cotton and cotton yarn which was earlier mandatory for the traders along with notification of their targeted export volume for the year. India is expected to produce 400 lakh bales of cotton this year, slightly higher than previous year, but enough to raise the availability as export would be on weaker side, causing demand deficit.



Domestic Balance Sheet

Item	2013-14*	2014-15*
Supply		
Opening stock	40	32
Crop size	398	400
Imports	10.8	7
Availability	448.8	439
Demand		
Mill consumption	266	275
Small Mill consumption	24.88	26
Non-Mill consumption	8	10
Total consumption	298.88	311
Export	117.92	90
Total Demand	416.8	401

All figures in Lakh Bales (of 170 Kgs. Each)
*Source: Cotton Corporation of India (CCI)

BALANCE SHEET HIGHLIGHTS:

Opening stock would remain lower this season (Oct'14-Sept'15) compared to the previous one. According to CCI, opening stocks would stand 20% lower this season. Production would be on higher side in the current season following the higher acreage in the country.

As per the latest estimates released by Ministry of Agriculture (MoA), around 126.55 lakh hectare of area has been sown under cotton this year, around 10.64% higher than the previous year, when it was 114.37 lakh hectares.

Imports are expected to fall as there would be ample supply in the country and domestic prices are likely to remain weaker which would diminish the cotton imports. Lower opening stocks and lesser imports will hence make the total supply lower compare to the previous season.

Consumption of cotton in country is likely to increase on amplified demand from textile and garments industry, but it would not cause any supply deficit because of enough availability in the country.

Exports are expected to see a remarkable fall because China will import lesser due to restrictive import policy, which is announced to terminate the cotton stockpiling program.

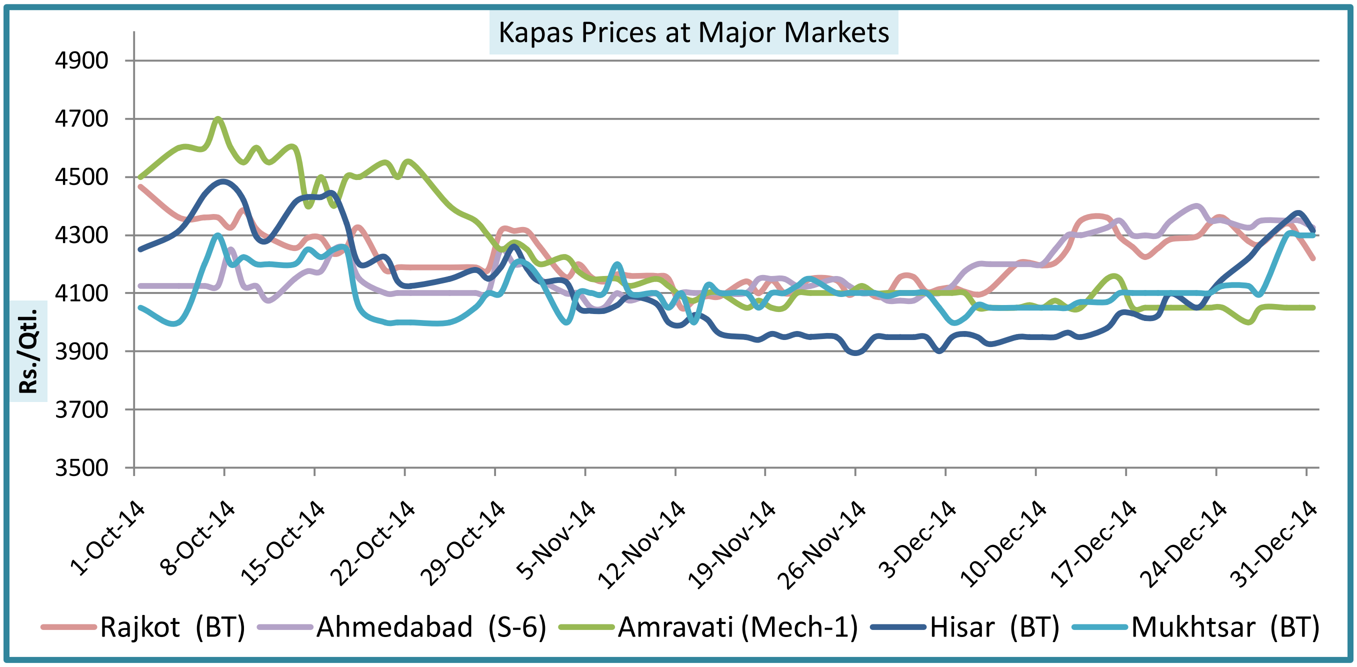
Cotton Prices and Arrivals

Cotton Prices at Key Spot Centers:

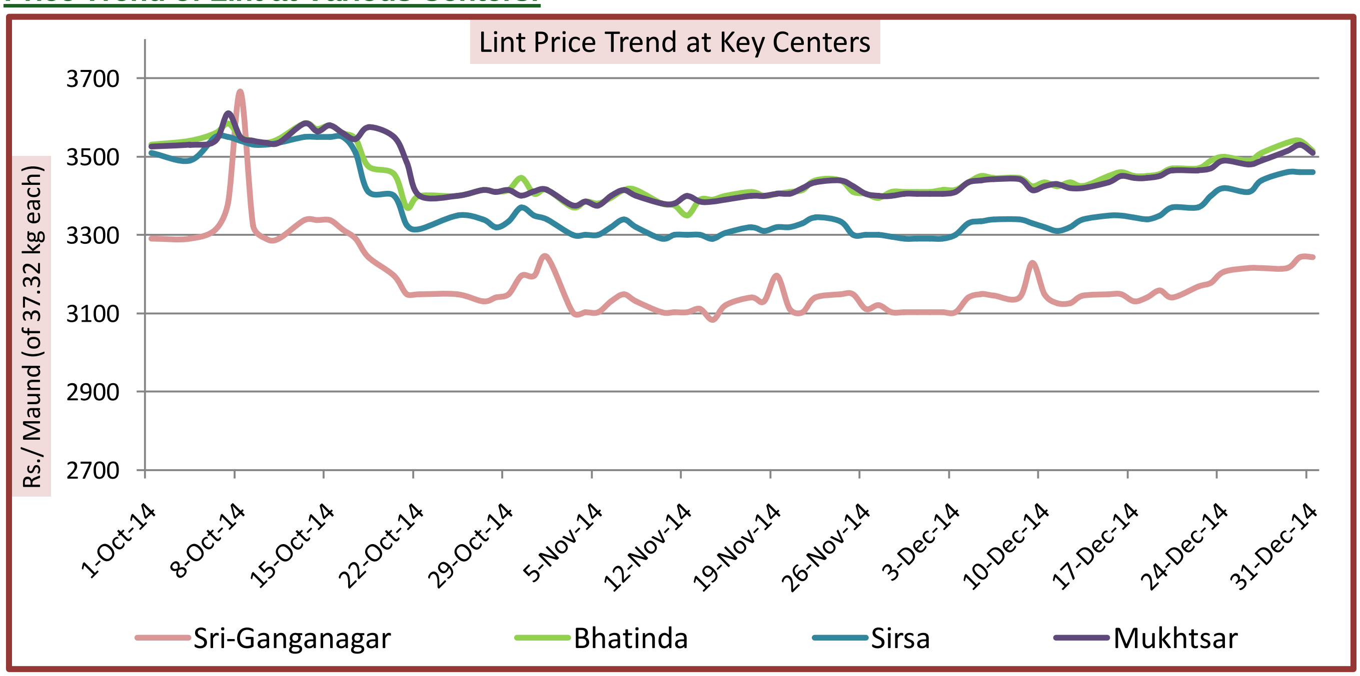
Centre	Variety	Weekly Average Prices		Change
		27 Dec'14-2 Jan'15	20 Dec'14-26 Dec'14	
	Kapas	**(Rs./Qtl)**		
Amravati	Mech-1	4030	4040	-10
Khandwa	Mech-1	4180	4081	99
Khargaon	Mech-1	4180	4081	99
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4280	4330	-50
Rajkot	B.T. Cotton	4264	4312	-48
Patan	B.T. Cotton	4225	4252	-27
Deesa	B.T. Cotton	4072	4095	-23
Muktsar	B.T. Cotton	4250	4110	140
Fazilika	B.T. Cotton	4263	4091	172
Bhiwani	B.T. Cotton	4470	4230	240
Adampur	B.T. Cotton	4317	4124	193
Fatehabad	B.T. Cotton	4335	4128	207
Dabwali	B.T. Cotton	4302	4092	210
Jind	B.T. Cotton	4345	4101	244
Uchana	B.T. Cotton	4356	4171	185
Rawatsar	B.T. Cotton	4182	3945	237
Hubli	B.T. Cotton	4304	4229	75
Hathras	B.T. Cotton	4700	3700	1000
Hanumangarh	B.T. Cotton	4235	4025	210
	Kapas			
Ahmedabad	Shankar-6	4325	4355	-30
Gondal	Shankar-6	4250	4270	-20
	Kapas			
Hathras	Desi	4150	4733	-583
Bijapur	Bunny	4260	4207	53
Hubli	D.C.H.	5253	5246	7
Raichur	H-44 Cotton	4193	4100	93
Guntur	Un-Ginned	4400	NA	-
Kurnool	Un-Ginned	4000	4267	-267
Krishna	Un-Ginned	4050	4050	Unch
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	**(Rs./Maund of 37.32kg each)**		
Abohar	J-34	3509	3483	26

Muktsar	J-34	3504	3474	30
Fazilika	J-34	3509	3463	46
Bhatinda	J-34	3517	3484	33
Mansa	J-34	3501	3471	30
Sirsa	J-34	3442	3394	48
Sri-Ganganagar	J-34	3222	3181	41

Price Trend of Kapas (Seed Cotton) at Key Centers:



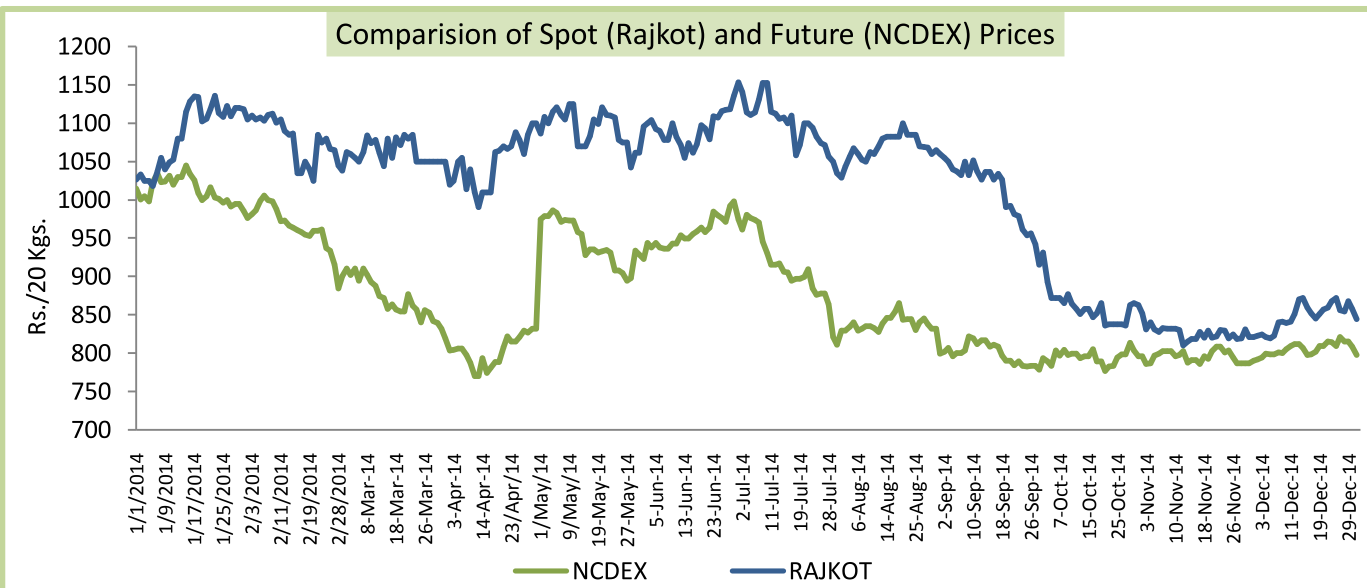
Price Trend of Lint at Various Centers:



Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength / GPT	Weekly Average Prices		+/-Change
				25th to 31th Dec'14	19th to 24th Dec'14	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	32200	32200	Unch
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	32700	32700	Unch
J-34(202)	26mm	3.5 - 4.9	23	32080	31680	400
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	32665	32660	5
Shankar-6(105)	29mm	3.5 – 4.9	28	33160	33180	-20
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34330	34240	90
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35360	35220	140
DCH-32(107)	34mm	3.0 - 3.8	33	44400	44280	120

Price Movement at Spot and Future Market:



Cotton Arrivals at Key Centers:

Centre	Variety	Weekly Sum Arrivals (Qtl)		Change
		27 Dec'2014 to 2 Jan'15	20th to 26th Dec'14	
Amravati	Mech-1	34000	27300	6700
Khandwa	Mech-1	1600	3600	-2000
Khargaon	Mech-1	16000	22000	-6000
Mahesana(Kadi)	B.T. Cotton	235000	260000	-25000
Rajkot	B.T. Cotton	24750	21250	3500
Patan	B.T. Cotton	67056	69375	-2319
Deesa	B.T. Cotton	19920	15485	4435
Fazilika	B.T. Cotton	5300	7200	-1900
Muktsar	B.T. Cotton	1105	1955	-850
Bhiwani	B.T. Cotton	10000	12000	-2000
Adampur	B.T. Cotton	3910	7310	-3400
Fatehabad	B.T. Cotton	1700	4700	-3000
Dabwali	B.T. Cotton	6000	8750	-2750
Jind	B.T. Cotton	2380	4080	-1700
Uchana	B.T. Cotton	5400	9390	-3990
Rawatsar	B.T. Cotton	750	1400	-650
Hubli	B.T. Cotton	642	318	324
Hathras	B.T. Cotton	650	60	590
Hanumangarh	B.T. Cotton	13500	13000	500
Ahmedabad	Shankar-6	431800	374000	57800
Gondal	Shankar-6	12104	11674	430
Hathras	Desi	230	850	-620
Bijapur	Bunny	18533	14464	4069
Hubli	D.C.H.	378	484	-106
Raichur	H-44 Cotton	10695	2265	8430
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	20	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	NA	16000	-
Abohar	J-34	3570	7140	-3570
Bhatinda	J-34	161500	245650	-84150
Mansa	J-34	1785	4250	-2465
Sirsa	J-34	5270	7650	-2380

Sri-Ganganagar	J-34	34000	40800	-6800

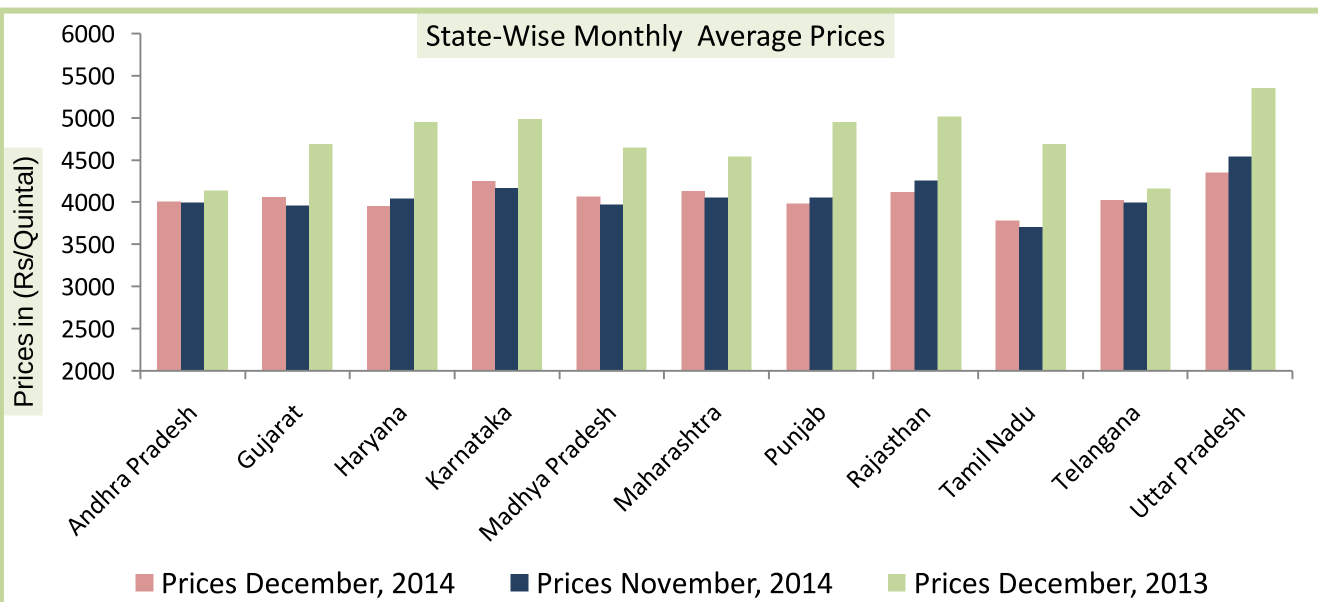
State wise Scenario

State wise Prices (Rs./Qtl.)

State	Prices December, 2014	Prices November, 2014	Prices December, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4011.39	3993.12	4137.3	0.46	-3.04
Gujarat	4063.17	3960.49	4689.94	2.59	-13.36
Haryana	3953.44	4046.09	4946.18	-2.29	-20.07
Karnataka	4253.86	4171.18	4990.34	1.98	-14.76
Madhya Pradesh	4069.27	3968.49	4642.45	2.54	-12.35
Maharashtra	4127.46	4051.92	4537.19	1.86	-9.03
Punjab	3982.76	4053.22	4951.29	-1.74	-19.56
Rajasthan	4121.76	4258.89	5020.81	-3.22	-17.91
Tamil Nadu	3776.76	3703.58	4691.23	1.98	-19.49
Telangana	4021.92	3991.5	4161.79	0.76	-3.36
Uttar Pradesh	4346.13	4539.23	5350.33	-4.25	-18.77
Average	4020.86	4067.06	4709.26		

*Source: Agmarknet

Cotton prices are showing downtrend on Y-o-Y basis in all the major cotton marketing centers but on month on month basis, recovery in the prices could be seen in most of the cotton trading centers including Andhra Pradesh, Gujarat and Maharashtra etc. States which have noticed downtrend on month on month basis are Haryana, Punjab, Rajasthan and Uttar Pradesh.

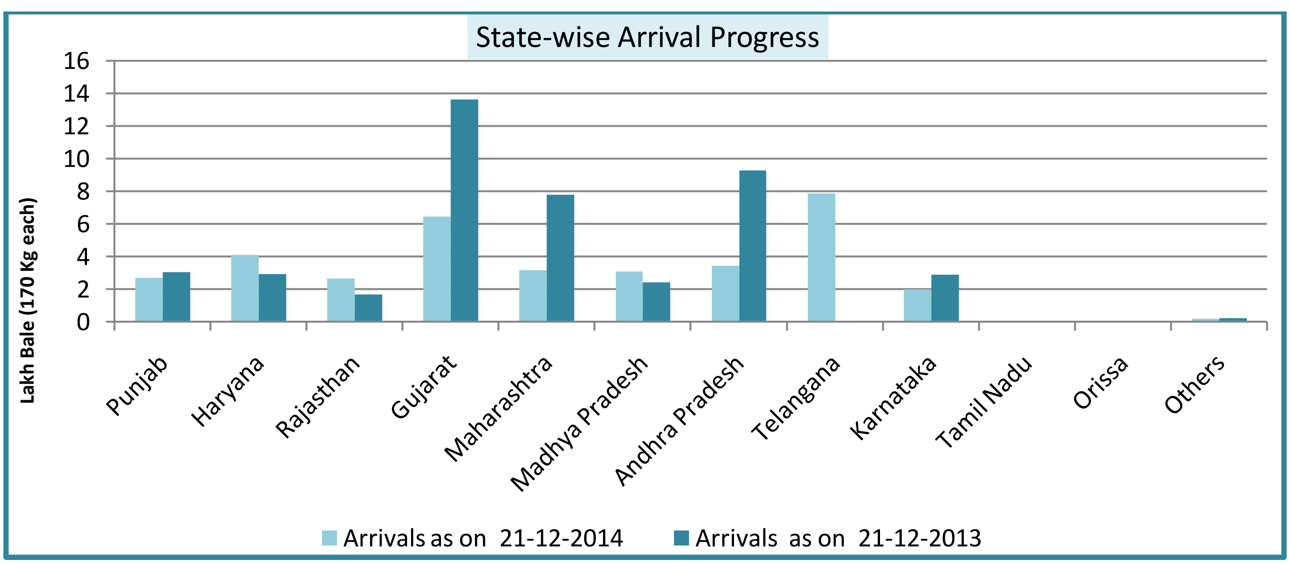


State wise Arrivals (in lakh bales of 170 kgs each):

Table given below showing cotton production and estimated arrivals during 2014-15 **s**eason vis-a-vis cotton season 2013-14:

States	2014-15*		2013-14	
	Production as per CAB 13-10-2014	Arrivals As on 21-12-2014	Production as per CAB 02-07-2014	Arrivals As on 21-12-2013
1. Punjab	14	5.97	21	6.21
2. Haryana	25	8.66	23	6.06
3. Rajasthan	17	7.51	14	3.47
North Total	**56**	**22.14**	**58**	**15.74**
4.Gujarat	125	19.86	120	31.41
5.Maharashtra	85	14.74	84	19.36
6.Madhya Pradesh	18	6.44	19	5.7
Central Total	**228**	**41.04**	**223**	**56.47**
7. Andhra Pradesh	50	9.38	76	23.07
8.Telangana	27	23.76	--	--
9. Karnataka	28	7.96	22	9.05
10.Tamil Nadu	5	0	5	0
South Total	**110**	**41.1**	**103**	**32.12**
11. Orissa	4	0.27	4	0.51
12. Others	2	0.51	2	0.72
Total	**6**	**0.78**	**6**	**1.23**
Grand Total	**400**	**105.06**	**390**	**105.56**

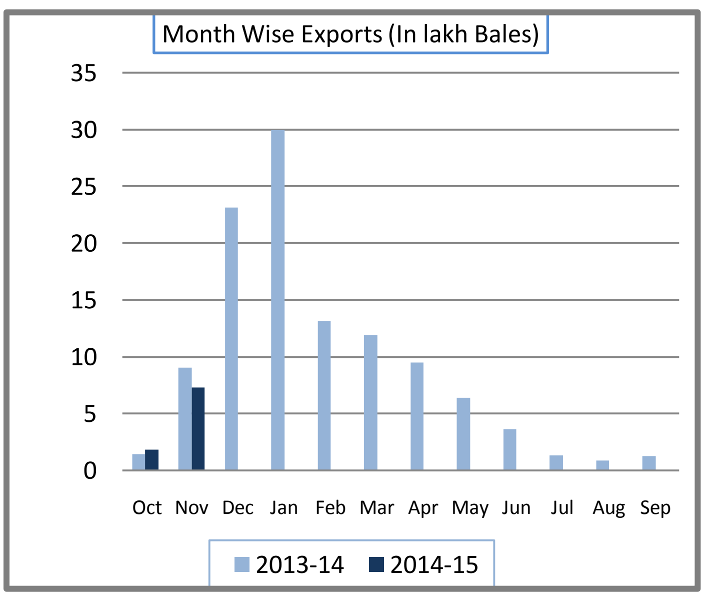
* Inclusive of new crop arrivals in September 2014
** Quantity in lakh bales (of 170 kgs. each)

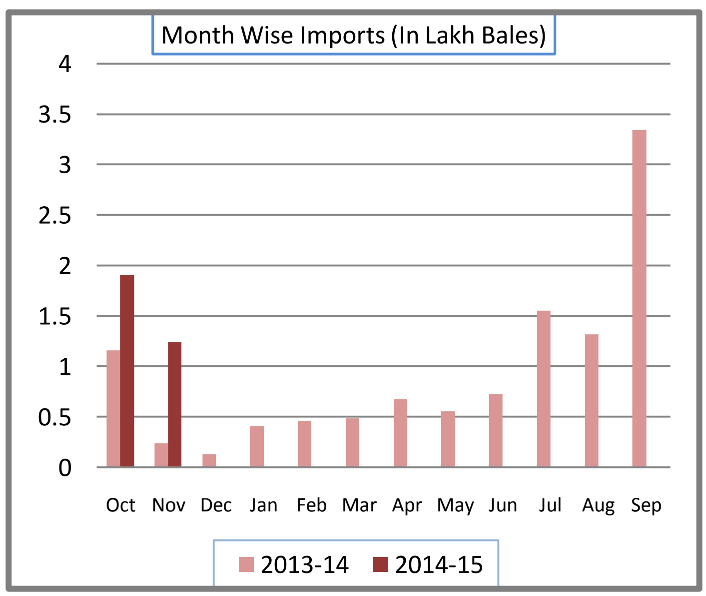


Cotton Export and Import

Cotton Exports(In Lakh Bales)		
Month	2013-14	2014-15
Oct	1.43	1.81
Nov	9.06	7.3
Dec	23.12	
Jan	30	
Feb	13.15	
Mar	11.9	
Apr	9.46	
May	6.37	
Jun	3.62	
Jul	1.32	
Aug	0.87	
Sep	1.24	
Total	111.5	9.1

Cotton Imports(In Lakh Bales)		
Month	2013-14	2014-15
Oct	1.16	1.91
Nov	0.24	1.24
Dec	0.133	
Jan	0.41	
Feb	0.46	
Mar	0.488	
Apr	0.68	
May	0.56	
Jun	0.73	
Jul	1.55	
Aug	1.32	
Sep	3.34	
Total	11.07	3.15





Weekly Export Import Data

Date	22-28 Dec 2014	15-21 Dec 2014
Export (In lakh Bales)	2.51	2.08
Import (In lakh Bales)	0.31	0.01
		Source: IBIS

International Market Scenario

Cotton production in China stood 2.2% lower to 6.16 million tonnes in 2014 when compared to the previous year. The reason for this decline is the falling acreage, which decreased around 3% on year on year basis. Deficit in cotton output in China brings delight to the cotton exporting nations as it increases the possibilities of larger cotton export demand from China, the major consumer in the world.

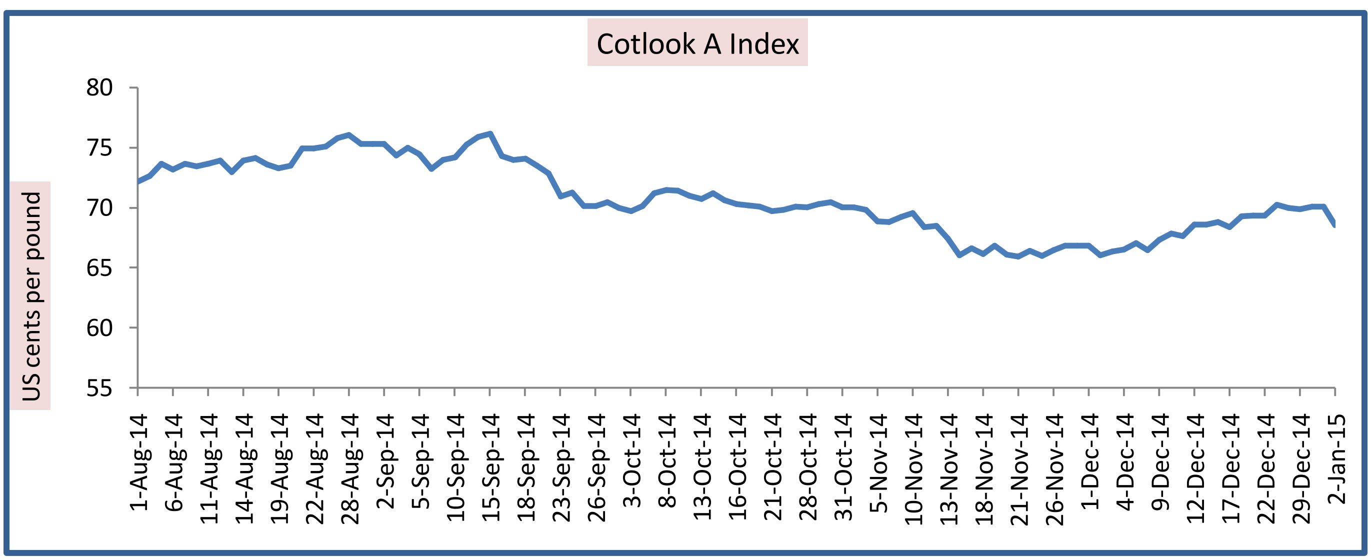
According to the latest report by USDA, cotton production on the global front would stand around 25.905 million tonnnes this season 2014-15 around 1.09% lower when compared to 26.191 million tonnes previous year.

China's decision to keep cotton import up to the quota limit of 894,000 tonnes has kept the market under the bearish pressure. Global prices are moving downtrend amid the expectation of lesser imports by China, the top importer of cotton in the world. According to USDA china is likely to import 1.52 million tonnes, around 50.5% lower when compared to the 3.075 million tonnes of imports previous year.

On reduced acreage this season, cotton output in Australia is expected to fall by almost half in 2014-15, as estimated by Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).Area under summer crop is estimated 13% lower for 2014-15 at 974000 hectares which would lead to fall in production and hence cotton output in Australia from the summer crop is likely to be around 3.2 million tonnes in 2014-15.

According to U.S. Department of Agriculture (USDA), cotton imports by Thailand are likely to fall in 2014/15 following the deficit in cotton consumption by textile counterparts. Yarn spinners and fabric weavers in Thailand are facing the problem of higher production cost and weak global economy.

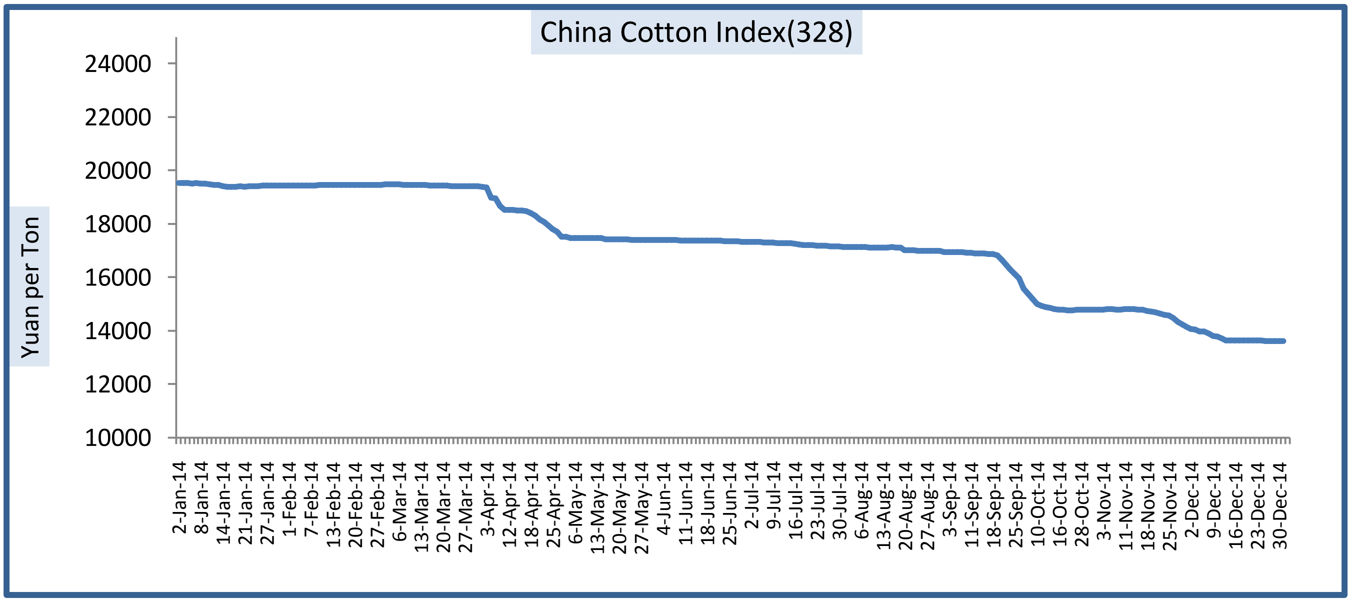
The drastic fall in cotton prices to a five year low could force the farmers worldwide to switch for the other crops, according to International Cotton Advisory Committee (ICAC). Cotton at ICE for March 2015 delivery has touched the level of 58.53 cents per pound in late November, which is lowest since September 2009.



International Prices and Indices

China Cotton Index:

CC Indices	Weekly Average Price as on		% Change
	02-Jan-15	26-Dec-14	
CC Index(229)	14303	14318	-0.10
CC Index(328)	13607	13622	-0.11
CC Index(527)	12690	12703	-0.10
Prices in Yuan per Ton			

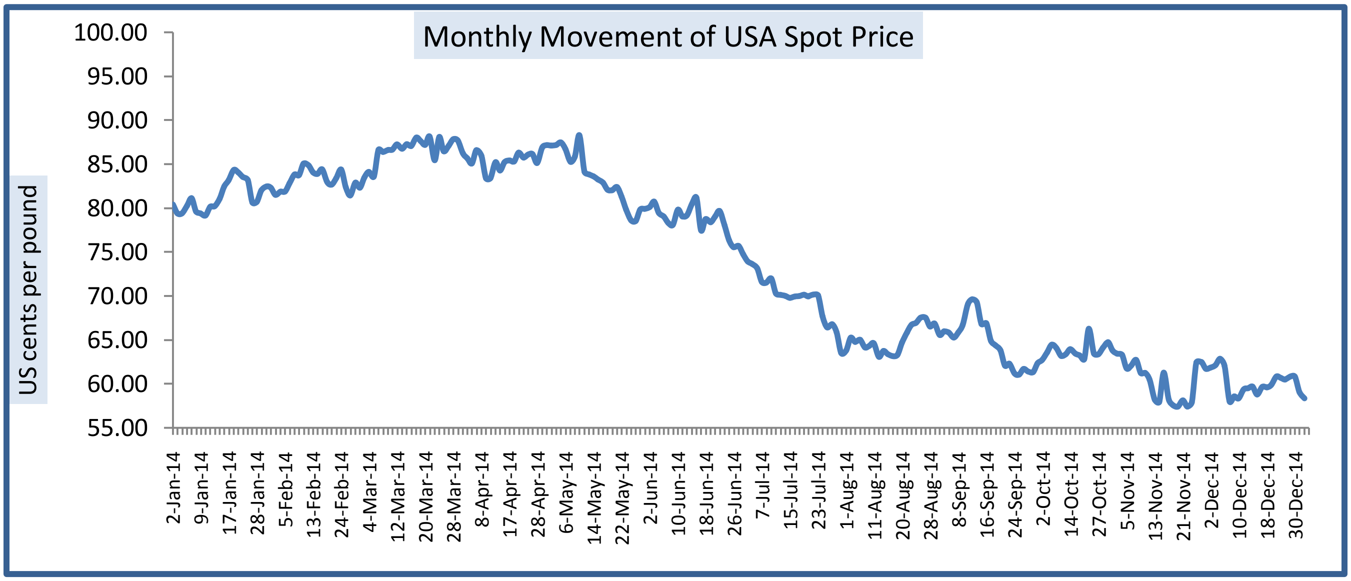


Cotlook A Index:

Cotlook A Index	Weekly Average Price as on		% Change
	02-Jan-15	26-Dec-14	
Prices	69.62	69.85	-0.33
Prices in US cents per Pound			

USA Spot Prices:

USA Spot Prices	Weekly Average Price as on		% Change
	02-Jan-15	26-Dec-14	
Prices	60.24	60.69	-0.74
Prices in US cents per Pound			



World Monthly Average Cotlook A Index (FE) in US cents per Pound:

Month	2013-14	2014-15	Y-o-Y % Change
August	92.71	73.99	-20.19
September	94.6	73.38	-22.43
October	89.35	70.34	-21.28
November	84.65	67.49	-20.27
December	87.49	68.3	-21.93
January	90.96		
February	94.05		
March	96.94		
April	94.2		
May	92.7		
June	90.89		
July	83.83		

Cotton Futures (ICE):

Contracts	02-Jan-2015	26-Dec-2014	02-Jan-2014	%W-o-W change	%Y-o-Y change
Mar-15	59.58	61.63	79.69	-3.33	-25.24
May-15	60.25	62.19	--	-3.12	--
Jul-15	61.23	63.02	--	-2.84	--
Oct-15	62.67	64.28	--	-2.50	--
Dec-15	63.91	65.38	--	-2.25	--
Mar-15	65.12	66.43	--	-1.97	--
Figures in US cents per pound					

Cotton Futures

Technical Analysis of Cotton Future (April'15 Contract) at NCDEX:

Weekly Technical Outlook:

- Candlesticks denote downwards movement during the week.
- RSI is showing weak momentum in neutral region.
- MACD is depicting bearish signal line and centerline movement.
- Prices closed below the 9 and 18 days EMA.
- We expect cotton prices to remain weak.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Bearish Momentum	775-820

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
770	765	827	835
Figures in Rs. per 20Kgs.			

Cotton-Weekly-Research-Report
05th January, 2015

Technical Analysis of Cotton Future (Mar'15 Contract) at ICE

Weekly Technical Outlook:

- Candlesticks denote weak movement during the week.
- Falling prices and increasing volume and OI depict weak momentum.
- We expect prices to remain weak in coming days

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Bearish Momentum	58.40-62.10

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
58.00	57.40	62.60	63.10
Figures in US cents per pound			