

Dear Members ,

English and Chinese New Year are over – now no more major holidays are there. We are entering spring/summer season and have a long season ahead of us. Times have been very depressing with all around fall in commodities. Cotton has been no exception, however we have seen a turn around in cotton and crude – driver of 2 major fibre prices.

Many in the industry still feel that there is room for further fall in prices and hence all are holding their purchases to bare minimum despite season picking up. However there are many obvious signs which cannot be ignored and need to be understood. Most factors are pointing to a pull up in cotton yarn prices, though of course the fear of uncertainty still looms large over us – however we need to consider the following circumstances:

- Cotton prices have bounced back from the bottoms – New York Futures/Cotlook Index A are a few cents/lbs above the bottom, Indian prices have moved up 5% over the last fortnight
- Chances of any fall in cotton prices in the 3 large yarn producing nations is minimal.
- Pipeline inventory is at the lowest possible level. Its a well known fact that low inventory levels are the biggest reason for spurt in prices.
- Crude oil has bounced almost 40% from bottom – means competing fibre prices will improve
- India domestic market is picking up from an all time low level, domestic demand is expected to grow by 8 to 10% which last year was just 3 – 4% as income improves and inflation drops steeply
- Pakistan import surplus has reduced due to energy crisis and there is improved domestic demand of yarn for value added exports in light of GSP benefit.
- Global growth rates are as per expectations, there has been no change as such which would lead to a downward adjustment in consumption. Even retail sales figure etc don't show any reduction in garment buying across the globe.
- Spinners are losing money today, hence under immense pressure to increase prices at the slightest opportunity.
- China will be back from holidays in a few days, they typically make good purchases after holidays – purchases expected to be more pronounced as before holidays purchase levels were below normal level.
- Anti dumping duty is removed in Egypt, hence traders are inclined to build up inventories again
- Despite China holidays, poor sentiments we have seen a turn around in Indian prices – prices have moved up from the bottom with decent buying.

Fundamental reasons for further fall in yarn prices are not there – all the factors which fuelled the fall are over. The only issue is the sentiment in the market, which is typical of any bear market – in a bearish market one only sees reasons to fuel the fall. However turn arounds are imminent and we feel NOW IS THE TIME TO BUY. We have probably seen the lowest yarn prices – can expect a stable to bullish price environment in the coming days.

***Wish you all prosperity and growth :)***