

Highlights of the Week

- Cotton prices noticed steady to weak tone in various mandis amid huge arrivals.
- Low demand around current levels weighed on the market.
- Cotton exports stood at 129 lakh bales.
- Indian prices are likely to stay stable at current levels for 2012-13.
- Domestic cotton prices are higher than international prices by 4-5%, which is making imports much attractive options for millers, imports are likely to touch 1.5 million bales for current year.
- Andhra Pradesh is likely to produce 7.2 million bales, compared to 5.6 million bales in last year.
- Arrivals are increasing in various mandis, adding to the weak tone of the market.
- Millers are buying in lower quantity amid expectation of better levels in the medium –term.
- Cotton arrivals till date are around 30 percent less compared to previous year during the same time period.
- Buying from the exporters and millers have picked up during current week.
- Good quality crop with moisture content of 8-9% which is in heavy demand, yet prices at most place where government is not procuring remain below MSP levels.
- Increasing arrivals and Cotton exports stood at 4.5 lakh bales as of November 5, 2012 and Exports for 2011-12 cotton seasons at 129 million bales.
- CAG has pegged domestic consumption at 260 lakh bales for 2012-13 seasons.
- According to sources, domestic consumption is expected to be around 240 lakh bales during the season.
- Prices of kapas are likely to remain Rs 850 to 950 per 20 kg for Nov-2012 & Jan-2013.
- Prices are likely to remain at current levels in coming week, as more cotton arrival is expected in the market

Domestic Market Fundamental

Cotton prices traded amid steady to higher side with higher buying support from the domestic mills. According to Cotton Advisory Board, cotton consumption is expected to be at 240 lakh bales for current season. Also, the Indian carry over stock is expected to be higher than last year, as demand is according to the production. Global cotton availability has been in excess of demand and the imported cotton is found to be four to five cents/pence cheaper than the domestic cotton.

Domestic Export Scenario:-

India had been actively exporting cotton, mainly to USA. China which was biggest importer during the first nine months of the cotton year (2011-12), but its exports have nearly halted from the end of June. This month exports are picking up which were almost stagnant. This season, cotton imports are expected to cross 70 million bales higher than previous year i. e 70, 00,000 bales of cotton. Landed cost of imported cotton is Rs 32,000 a candy (a candy = 356 kg) of average quality, while the benchmark local variety, Shankar 6, is quoted at Rs 34,000 a candy.



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 30/11/2012	Previous Week 23/11/2012
Cotton	Amravati–Vunni Mech-1#	1%	4100	4050
	Kadi–Bt Cotton#	-1%	4300	4350
	Ahmedabad–Shankar-6#	-1%	4350	4400
	Gondal	-1%	4375	4420
	Rajkot-(Bt Cotton)	Unch	4360	4375
	Abohar–J-34*	-2%	3405	3470
	Muktsar–J-34*	1%	3500	3470
	Fajlika#	-18%	3470	4250
	Khandwa M.P.	1%	4150	4100
	Sri-Ganganagar	1%	3450	3420

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 30/11/2012	Previous Week 23/11/2012	
Amravati –Vunni Mech-1	4000	800	400%
Kadi –Bt Cotton	175000	35000	400%
Ahmedabad – Shankar-6	141500	25000	466%
Gondal	5202	1194	336%
Rajkot-(Bt Cotton)	13600	2600	423%
Abohar J-34*	4600	-	-
Muktsar J-34*	-	2500	-
Fajlika	13200	2500	428%
Khandwa M.P.	9500	3500	171%
Sri-Ganganagar	30000	5000	500%

(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (29/11/2012)	Rs. Per Candy (22/11/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	38000	39500	-1500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38500	40000	-1500
J-34(202)	26mm	3.5 - 4.9	23	31800	31800	Unch
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32800	32900	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	33500	33700	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34400	34500	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34800	35000	-200
DCH-32(107)	34mm	3.0 - 3.8	33	44800	45200	-400

Fundamental Cotton Price Outlook for Coming Week

We expect cotton prices to witness sideways to bearish tone in the coming days amid expected increase in arrivals. Downside could be limited amid increasing demand in the near –term.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- April contract in NCDEX, denotes selling interest in the market.
- Decreasing volumes will add to the weak tone of the market.
- There is ascending triangle formation in the above chart and closing of price above Rs. 980 levels will denote a target of Rs.990 levels on the up side in the medium -term.
- Immediate resistance could be seen at 987 crossing such level price would test second resistance level. Prices are likely to trend towards the support levels of 951.
- Our short term outlook on the contract is sideways to bullish. We advise to go for short positions around 990 levels.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
928	951	995	1005

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	960-990	Sideways to Bullish Momentum

International Market

- Azerbaijan raised exports for raw cotton.
- International price movement of Rs.33-Rs.35 over past two months, liquidity has reduced from the market. With the Northern Hemisphere harvest almost finished, it is typical for open interest to fall at this time of year.
- China continues to buy cotton for its reserve which is giving support to cotton china index to rise.
- Three home textile companies in China joined the COTTON USA licensing program to source U.S. cotton yarn.
- According to the General Administration of Customs, China's October cotton imports rose 7.8% from a year earlier to 272,051 metric tons, the General Administration of Customs said Wednesday.
- Cotton prices remained steady to firm in Pakistan amid normal demand in the market. In the current season acreage under cotton declined by 15 per cent compared to previous year.
- Textile millers in Pakistan are looking for cheaper cotton imports amid higher prices in the domestic market.
- According to association officials, cotton output in Ivory coast is expected to increase by 47% to 500,000 metric tonnes in 2015.

ICE Cotton Futures (March 2013 Contract) Technical Analysis


March 2012 Contract of ICE futures closed on higher side. Prices ranged between 71.47 to 73.98 during the week. Immediate support level is at 73.2 breaching this may touch 70.1 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.1	73.2	75.2	75.8

All in cents/pound

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