

Highlights of the Month

- The Cotton Prices closed on lower side amid higher arrivals amid less demand from ginneries and traders.
- Cotton prices continued to notice week tone in various mandis amid rising arrivals.
- Buying by government agencies, millers and exporters supported prices.
- Arrivals in the country are lower in various mandis.
- Andhra Pradesh is expected to harvest around 700,000 bales of cotton during the current cotton season, as against last year's output of 650,000 bales.
- Indian textiles exports fell by 6 per cent year-on-year to \$ 14.1 billion in April-September period due to slowdown in major markets like the US and EU. In the first six months of the 2012-13 fiscal, textiles exports stood at \$ 14.18 billion. The government is hopeful of achieving the textile export target of \$ 40.5 billion for 2012-13 which was \$ 30.4 billion in 2011-12. Exports on yarn may be lifted next week.
- In Gujarat around 35000 bales and in north India around 33000 bales arrived according to trade sources.
- Good export and yarn demand added to the positive tone of the market.
- Lower cotton crop production than earlier estimate are making Gujarat ginneries to depend on supply from other states. Currently, 50 percent of the total arrivals are coming from Maharashtra, Andhra Pradesh and other cotton producing states. So far around 1.8-1.9 million bales of cotton had arrived in Gujarat, of which 700,000-800,000 bales of cotton came from other states.
- Andhra Pradesh cotton production is raised to 70 lakh bales from 65 lakh bales last year. Due to good rains received in last part of monsoon.
- At this time demand in cotton is normal. Mills and exporters are buying hand-to-mouth and no one wants to build inventories. Cotton growers are dissatisfied with prices at MSP levels on which they are demanding government to raise it to Rs.5000/ql.
- Rajkot, Gujarat gains prices on export demand and lower arrivals due to elections in state.
- The Cotton Corporation of India (CCI) has begun its procurement in Madhya Pradesh, Karnataka and Odisha. In these states cotton prices have fallen below MSP on rising arrivals.
- In Andhra Pradesh National Spot Exchange is procuring in behalf of National Agricultural Cooperative Marketing Federation of India (NAFED). In other major cotton producing states procurement is ready to begin. Latest updates of cotton procurement in Andhra and Maharashtra are 13,000 bales by government agencies. National Spot Exchange are targeting of procuring 15,000 bales of cotton worth of Rs. 500 crore by March 2013 from 18 centers of Andhra Pradesh. Cotton quality is good and procurement is open across 7 centers in Andhra Pradesh.
- As on 12 December total all India arrivals across country was 56.30 lakh bales (1 bale=170kg) which is 11.5 percent lower than previous arrival of 62.81 lakh bales at same period last year. Also, it is only 17.5 percent of 320 lakh bales projected for this 2012-2013 cotton season. Commerce Minister said government will continue with free export policy for cotton this year. Export policy is necessary to ensure better income to farmers.
- India cotton production in 2012-13 is likely to be 21.39 percent of world total cotton production. India's cotton prices are currently USD 5 cents/ lb below the COTLOOK index. Government has formulated National Fiber Policy to make 7 percent annual growth in cotton exports from 2010-20.
- Export of cotton yarn to China is expected to continue its uptrend, as cotton in that country is priced nearly 20 cents a pound higher than in the international markets
- Cotton shortage ahead, warns industry as cotton prices are lower than what farmers are expecting. If prices will be lower than Rs. 5000 then cotton seed demand is likely to go down.
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Raw cotton-Import & Export Scenario

Domestic Export Scenario:-

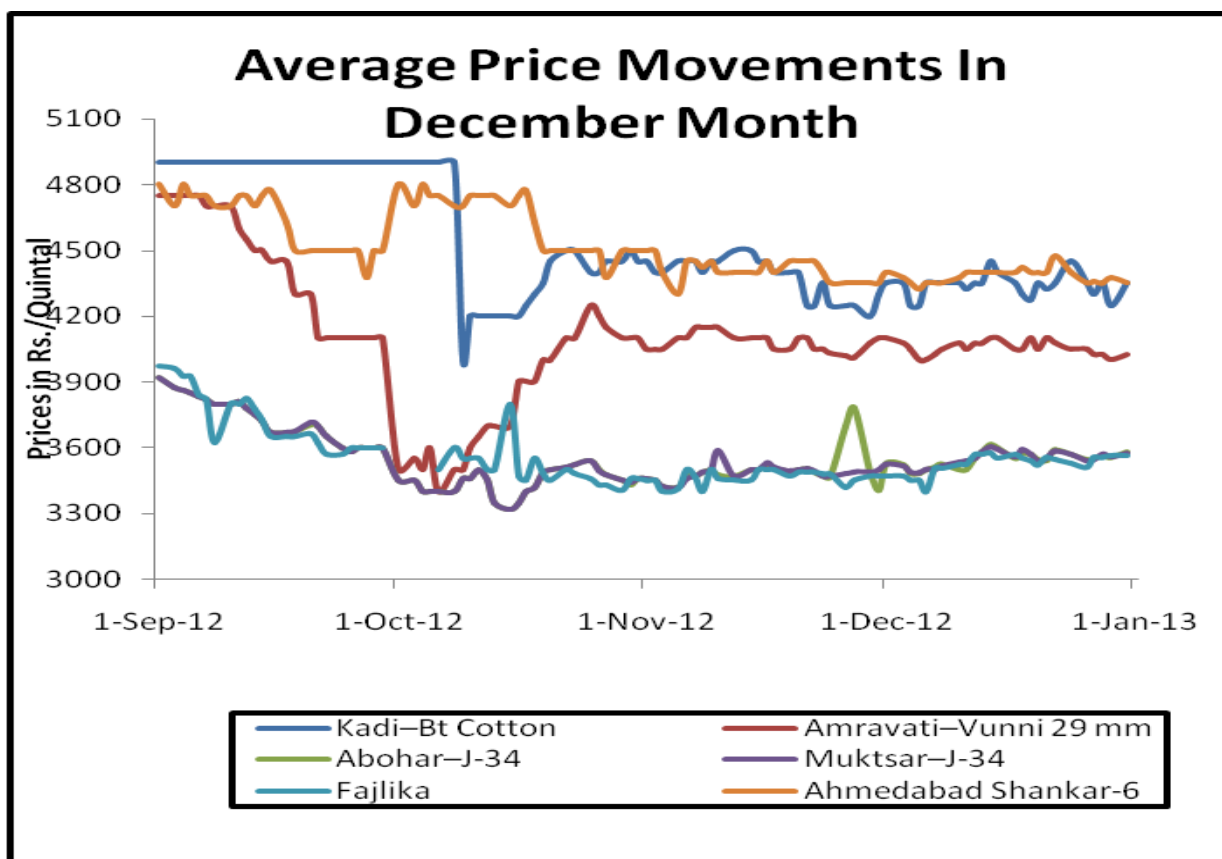
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Cotton Price Performance during the December Month 2012

Average cotton prices were steady to weak in cotton spot markets on back of higher arrivals against low demand during December 2012.

Below Chart reflects December month average price movements of various markets:-



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		31-12-12	30-11-12	
23300Cotton	Kadi-Bt Cotton#	4350	4300	1%
	Amravati-Vunni Mech-1#	4025	4100	-2%
	Ahmedabad-Shankar-6#	4350	4350	Unch
	Abohar-J-34*	3580	3405	5%
	Muktsar-J-34*	3575	3500	2%
	Fajlika#	3565	3470	3%

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Monthly Arrivals		% Change
	Current Month 31/12/12	Previous Month 30/11/12	
Kadi -Bt Cotton	1030000	534500	93%
Amravati -Vunni Mech-1	47400	24300	95%
Ahmedabad - Shankar-6	868000	445500	95%
Abohar	23850	22200	7%
Muktsar	-	7375	-
Fajlika	42900	40500	6%
Khandwa	46500	38900	20%

Khandwa, Kadi, Fajlika-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmadabad, Abohar and Muktsar-Bales

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strengt h/ GPT	Rs. Per Candy (29/12/2012)	Rs. Per Candy (29/11/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	33900	38000	-11%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34400	38500	-11%
J-34(202)	26mm	3.5 - 4.9	23	32400	31800	2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32900	32800	Unch
Shankar- 6(105)	29mm	3.5 - 4.9	28	33800	33500	1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33800	34400	-2%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34400	34800	-1%
DCH-32(107)	34mm	3.0 - 3.8	33	45200	44800	1%

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in January, on back of rising arrivals expected in the market.

Technical Analysis of Kapas Futures April 2013 contract at NCDEX



Prices-Rs/20kg

- April contract in NCDEX declined due to higher arrivals and falling demand.
- Rising open interest & falling prices depicts market under short build up phase.
- Immediate support could be seen at 940 crossing such level price would test second support level at 920.

Our short term outlook on the contract is bearish. We advise to go for long positions price at current price level and book profit by short covering as prices are likely to stay range bound till mid- January 2013.

Strategy: We advise traders to make Sell call and book profit by short covering as prices are likely to decline, based on fundamentals.

Support 2	Support 1	Resistance 1	Resistance 2
920	940	1000	1020

International Markets

The United States
US Spot market rate for Color 41, Leaf 4 and Staple 34

	Fri	Mon	Tue	Wed	Thu
Market	28-Dec	31-Dec	1-Jan	2-Jan	3-Jan
SE	72.16	72.64	H	72.86	72.89
ND	71.41	71.89	O	72.11	72.14
SD	71.41	71.89	L	72.11	72.14
ETX	70.00	69.75	I	69.75	69.75
WTX	70.00	69.75	D	69.75	69.75
DSW	69.41	69.89	A	70.11	70.14
SVJ	70.16	70.64	Y	70.86	70.89
7-Mkt Avg	70.65	70.92	-	71.08	71.10

Source: USDA (In cn/bl)

- ICE cotton futures rose due to some mill and speculative buying helped support prices. Also, anticipation of China releasing some of its stockpile.
- Cotton futures at NYMEX closed slightly higher amid buying around current levels by millers.
- Pakistan is the only country in the world that has seen stagnating cotton output over the last 20 years.
- Prices in Pakistan remained sluggish following holiday season.
- Estimates of US cotton plantings were raised 97.7 million hectares to 99.03 million hectares in research report of private analytical firm, which could put pressure on prices on ICE.
- Cotton was the biggest decliner on SnP commodities in 2012.
- New York Futures market prices remained fundamental for translating international lint prices, which was evident from the trend in local market as it would likely keep the physical prices strong.
- Pakistan cotton crop is likely to decline by 7.34 percent to 12.66 million bales from earlier projected at 13.59 million bales.
- International Cotton Advisory Committee reports decline of cotton wool production by 11% to 23.2 billion tonnes for 2013-14. Farmers in USA, Turkey, China, Central Asia, Pakistan and French Africa are expected to make sharp cuts in cotton crop due to focus on soybean and other crops.
- Local textile mills of Bangladesh are worried about reduced production of Indian Cotton.
- In Pakistan, domestic lint prices would remain firm with rising demand of fine grade in the next coming sessions, as demand of fine lint would grow on back of local as well as foreign orders of yarn and cloth.
- USDA report projected 3 percent rise in global cotton consumption after 8 year slump.
- 10.7 million bales of cotton has been procured by 15 Dec 2012 across Pakistan. That is 2.42 percent higher than same time last year.
- Cotton futures rose to highest point first time in eight weeks on rising demand perspective from China. Chinese manufacturing is picking up pace. Also USDA raised global demand in their latest report.

Technical analysis of ICE Futures (March Contract)

March Contract of ICE futures closed on higher side supported by buyer's activities. However, below 9 and 14 Days EMA



EMAs signify further down momentum. On the other hand, rising open Interest & volume rising depict market under long covering phase. Prices ranged between 72.43 to 77.10 during the month. Immediate support level is at 70.1 breaching this may touch 65.34 during upcoming days.

Recommendation: - Buy on dips towards 70 price level and book profit towards resistance level.

Support 2	Support 1	Resistance 1	Resistance 2
70.1	72.5	77.61	80.64

All in USc

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