

DOMESTIC MARKET RECAP

Cotton prices in key cash markets featured a firm tone during the week ending June 27th 2011 as domestic and export demand improved at lower prices. Lower arrivals also supported the cotton prices during the period. In Rajkot, arrivals declined by 1.68 per cent to 801 tonnes as compared to 1071 tonnes corresponding period last year.

Cotton Arrival Scenario:

Market	% Change during corresponding period last year	Arrivals during the week (21-27 June 2011) in tonnes	Arrivals during last year (21-27 June 2010) in tonnes
Rajkot (Gujarat)	-25.21	801	1071

Current Market Dynamics

Reportedly the traders and stockists remained active during the period which supported prices besides regular demand from exporters. Meanwhile, to secure the sales of extra 10 lakh bales allowed by government, exporters are offering at discounts to New York futures prices (offering at a discount of around USD 0.22-0.27 per lb to New York July contracts). Prices also got support from the uneven distribution of monsoon over southern states of the country (Maharashtra, Andhra Pradesh) and delay in progress over NW India particularly in Gujarat as if affected the sowing activity. Lull in monsoon for coming 7-10 days may harm the already sown crop in southern states as well as affect the sowing.

Meanwhile, ginners want separate quota to export cotton. The sharp drop in price has led to ginners seeking more exports in particular, ginners, led by those in Saurashtra. Exporters had bought ample stocks and they will be exporting from those stocks only. There is no demand from mills because they are left with huge inventories of yarn due to which ginners are asking for further increase in exports upto 30 lakh bales instead of the 10 lakh bales increased recently by the government.

India's cotton yarn exports declined 33 per cent to 100-110 million kg in the first two months of the current financial year, due to low overseas demand. The directorate-general of foreign trade (DGFT) registered 134.55 million kg for export in April and May and the actual shipment is estimated at 100-110 million kg, as against 150-160 million kg in the corresponding period last year. Exports declined partly due to the government's policies. In 2010, government had imposed an upper export limit of 720 million kg which was shipped out by ginners in 10 months expecting further increase in quota. However, the government did not increase the quota, so the shipments were close to negligible in the last 2 months.

Crop Progress and Weather Condition

Sown area under cotton as on 27th June 2011 is down by almost 5 per cent to 26.22 lakh hectares as against 27.53 lakh hectares corresponding period last year. Uneven distribution of monsoon over Maharashtra, A.P. and Tamil Nadu is mainly attributed to the fall in area.

Haryana

This season Haryana is targeting higher area coverage under cotton at 5.98 lakh hectares higher by 21,000 hectares compared to last year area at 4.95 lakh hectares. Farmers in the region are also switching from guar, soyabean to cotton cultivation due to its attractive prices. The Haryana government also targeting for higher yield of 24 Qtl/Ha against 19.5 Qtl/Ha last year if the growing conditions remains favourable

Maharashtra

In Maharashtra cotton has been sown in 473,400 hectares as on June 24th, 2011 up by 8 per cent from same period last year as initial good rains boosted planting. However, thereafter lull in monsoon over the key cotton growing areas the sowing activity is reportedly is very slow or negligible and if there is any further delay in revival of rains then it may further hinder sowing activity and also affect the already sown crop. Also delay in monsoon may force farmers to switch to other crops like maize, pulses etc. The following table shows the actual rains Vs normal and percent departure over normal over the key cotton growing regions in Maharashtra,

Period 1 st June-27 th June	Actual	Normal	% Departure
Central Maharashtra	118.5	124.2	-5%
Marathwada	67.1	127.1	-47%
Vidarbha	126.3	141.9	-11%

Source: IMD

Andhra Pradesh

According to the state officials in A.P, cotton has been sown in 2.386 lakh hectares as on 28th June 2011. The normal and target area is 13.51 lakh hectares. We believe that the target set by the government would be achieved provided monsoon helps sowing progress in the coming weeks. As on 27th June 2011, 14% of the target area has been sowed in main districts of A.P. Telegana district constitutes for the maximum area

of cotton with a total area of 10.48 lakh hectares. According to IMD, rainfall has been deficient in all major sowing districts in A.P, the most in Telengana which constitutes the most area of cotton. According to the cumulative rainfall during 01st – 27th June 2011 during this year's monsoon has so far been 40% below the LPA and may be affected the most. If rainfall does not improve in Telengana or other areas we could see a decline in cotton acreage in 2011-12.

Period 1 st June-27 th June	Actual	Normal	% Departure
Coastal A.P	71.6	91.2	-22%
Telengana	70.2	117.9	-40%
Rayalaseema	47.8	62.7	-24%

Source: IMD

Further, pause in revival of monsoon over the regions may lead to shift in area from cotton to other lucrative crops like pulses, maize, sugarcane etc.

Gujarat

According to trade sources cotton sowing is lagging behind due to lack of proper rains over the region and reportedly early sown crop is badly affected due to lack of rains. The following table shows the key growing regions wise rainfall and per cent departure over normal,

Period 1 st June-27 th June	Actual	Normal	% Dep
North Gujarat	14.7	105.8	-86
Saurashtra and Kutch	23.7	70.6	-66

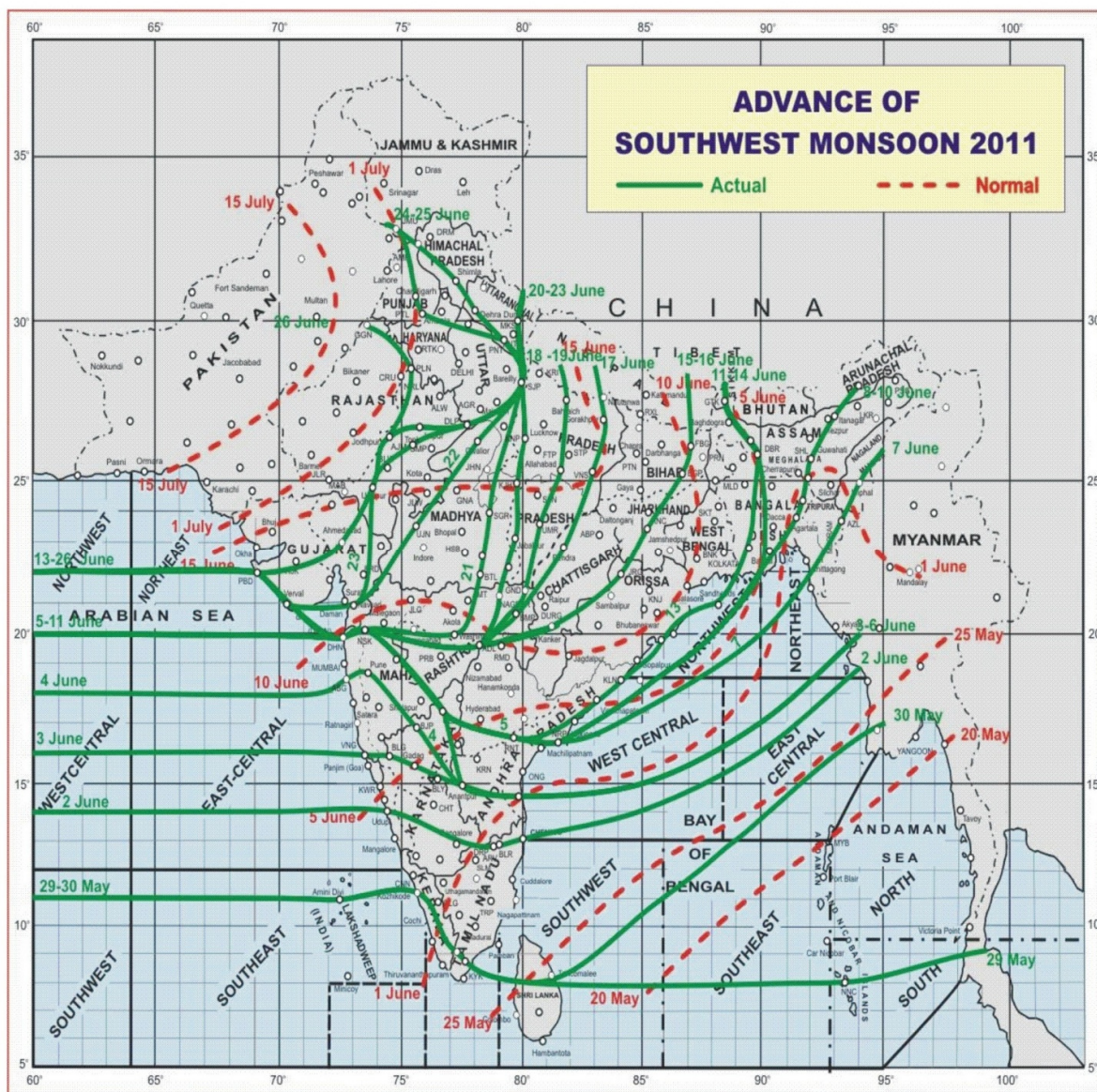
Source: IMD

Advance of Monsoon

Condition is favourable for further advance of southwest monsoon over some more parts of Rajasthan and Gujarat during next 2-3 days.

Monsoon Forecast for June 25th – July 1st 2011:

Southwest monsoon would advance over most parts of northwest India including Delhi during next 4-5 days. Fairly widespread rain/thundershowers would occur along west coast and over northeast and east India. Scattered rain/thundershowers would also occur over central and northwest India during next 2-3 days of the week and fairly widespread thereafter. Subdued rainfall activity would prevail over Gujarat, interior Maharashtra and south interior peninsula.



Source: IMD

Cotton Spot Prices (Kadi Market) Technical Analysis



Prices-Rs/quintal

As evident from the above chart, cotton prices are moving sideways and range bound between Rs 3400 – 3800/Qtl. Both the levels are acting as of good support and resistance, breaching either side will decide the further trend. Prices are above the short term EMAs which supports firmness. RSI also suggests for firm market. In coming week we expect prices to move range bound with slight firmness.

Strategy: Buy near 3400 is advisable and partially book the profit near 3800.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3100	3400	3800	4200

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	3400-3800	Sideways

Prices-Rs/quintal Kadi prices- Bt quality
Cotton Price Outlook

Lower arrivals in mandis, domestic demand may push the markets higher in the coming week besides lull in progress of monsoon over the key growing regions. However, subdued export activity currently in the market may cap the gains to some extent. Moreover, progress of monsoon in the coming week would remain the key for deciding the price movement.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Prices (Rs/Qtl)			
			Current (27-06-2011)	Week Ago (20-06-2011)	Month Ago (27-05-2011)	Year Ago (26-06-2010)
Cotton	Kadi –Bt Cotton	7.14	2750-3750	3000-3500	3750-4750	3250-3600
	Amravati – Vunni Mech-1	35.4	3300-4200	2400-3100	3500-4200	3425-3475
	Ahmedabad – Shankar-6	3.03	3250-4250	3000-4125	3000-5000	3500
	Abohar – J-34	-8.23	3850-3900	4200-4250	4800	N.A
	Muktsar– J-34	Unchanged	3850-3900	3800-3900	4850	N.A

INTERNATIONAL MARKET HIGHLIGHTS

- U.S sentiments remained firm as USDA slashed down its 2011-12 cotton production estimate to 17 million bales from 18.1 million bales on concerns over deteriorating U.S. crop conditions.

- Speculation that China is planning to increase cotton imports further pushed prices higher.
- Revised lower estimate for 2011-12 global cotton output by Cotlook to 26.195 MMT from its previous estimate of 26.73 MMT further supporting the sentiment.
- Australia's 2010/11 cotton harvest is likely to be completed by June end and the world's third largest cotton exporter is expected to ship record quantities of the fibre in the coming year.
- Brazilian cotton exports are set to double to a record 900,000 tonnes from the coming harvest which begins in June, after last year's price surge led producers to increase their plantings over soybeans and corn.

Pakistan Crop Situation

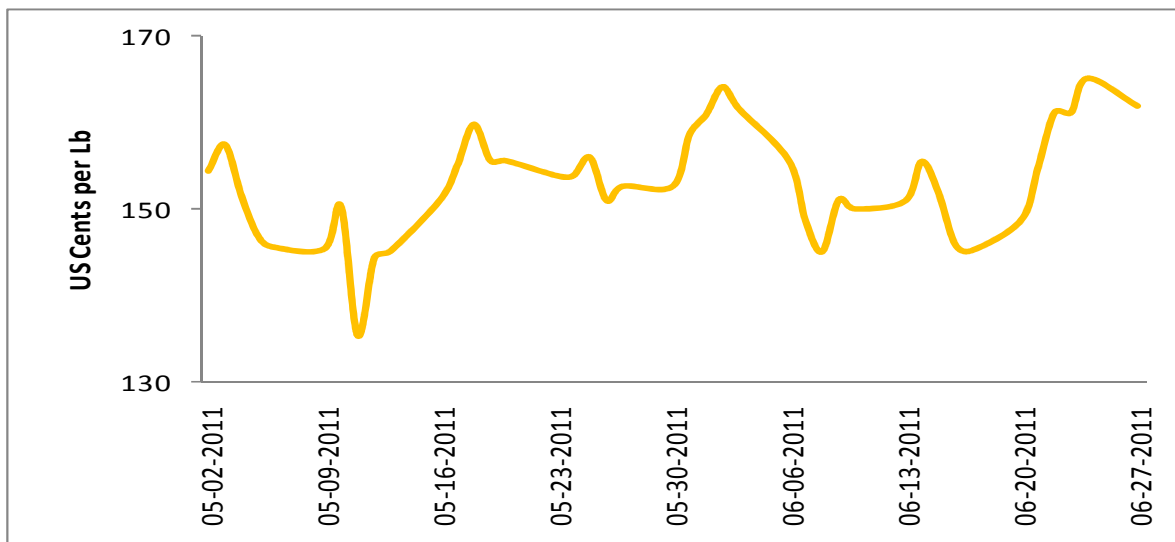
Cotton acreage in Pakistan has improved close to 14% to 330,000 hectares for 2011-12 as against 290,000 hectares for 2010-11. Farmers had planted more this year due to good returns for the crop as global cotton prices touching record high levels. According to USDA cotton production in Pakistan is also expected to increase close 19% to 10.3 Lakh Bales for 2011-12 as against 8.7 Lakh Bales for 2010-11.

International Cotton Prices

As on 24th June 2011 the Cotlook 'A' Index is ruling at 137.45 US Cents/lb lower by 0.21% from last week's close at 137.75 US Cents/lb. Cotlook index was lower by 43.58% from the peak level of 243.65 US Cents/lb recorded on 8th March 2011.

New York Futures on ICE

The chart below shows the price movement of the New York Futures on ICE-



In US Cents/lb

ICE Futures Quotes for Cotton

Contract	Current (27/06/2011)	Week ago (20/06/2011)	Month ago (27/05/2011)	Year ago (25/06/2010)	% Change over previous year
July	162.00	148.73	152.67	84.72	91.21
December	121.99	124.07	129.5	78.91	54.59
March	113.18	117.94	120.47	80.04	41.40
May	107.88	111.99	115.17	80.27	34.39

In US Cents/lb

Technical Analysis of Cotton Futures July contract at ICE



Prices-US Cents/lb

According to the chart the price trend looks bullish with firm resistance at 168.268 and 172.141 and if this resistance is broken then we can prices moving up to 180 levels. Firm supports are at 149.761 and 145.457. Prices have closed above the short term EMAs reveals bullish momentum in the market. Market Indicators like MACD and RSI reveals bullish momentum in the market.

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