

Highlights of the Week

- Cotton prices remained steady to firm amid cotton production is estimated to be higher by Cotton Association of India (CAI) to 363.75 lakh bales compared to 332.3 lakh bales. The increase is due to increase in the acreage under cotton by 10% to a record high over 120 lakh hectares.
- According to the state agriculture department, acreage in Rajasthan for 2011-12 is up by 40.2% at 4.70 lakh hectares compared to last year. Production has also increased by 23% at 11.07 lakh tonnes compared to last year.
- Meanwhile, the government said cotton exporters will no longer have to furnish bank guarantees for registration of export contract. Export of cotton will continue to be free, subject to registration of contracts with the DGFT.
- However reports of Punjab are likely to face cotton output loss of 5-7% on account of heavy rains that have caused widespread damage to the crop kept prices from falling.
- According to the state agriculture department of Punjab, close to 90,000 hectares could be damaged.
- Water logging in the northern side of the country could delay harvesting and may delay fresh crop arrival which may continue to support the prices at lows.
- Separately, SIMA is have been urging the government to permit exports under the OGL only from January stating that if cotton is shipped early in the season, it would hit availability in the domestic market and push prices up.

Current Market Dynamics

Cotton prices remained higher as fears of crop damage because of heavy rain in Gujarat. Traders and brokers said low arrivals and rising demand from exporters and mills have aided the price rise. Punjab is likely to see a 5 to 7 per cent drop in output on account of heavy rains that have caused widespread damage to the crop, pushing up prices even more.

According to reports compiled by the Punjab Agriculture Department, close to 90,000 hectares or 16 per cent of sown area has been hit due to torrential rains, submerging the crop at several places in Bathinda, Muktsar and Fazilka.

Meanwhile, the government is preparing to take a third of the total output of cotton this year as it fears that prices may go below the minimum support price if demand for cloth declines leading to a loss to the farmers. The current MSP is Rs 2,800/quintal.

Production of man-made fibre, filament yarn, spun yarn

Man-made fibre production recorded increase by about 5% and filament yarn production recorded a decrease of about 10% during June 2011. Man-made fibre production recorded a decrease of 0.3% and filament yarn a decrease of about 10% during the year April-June 2011. Cotton yarn production decreased

by 17% during June 2011 and by 11% during April-June 2011. Blended and 100% non-cotton yarn production increased by 14% during June 2011 and increased by 9% during the year April-June 2011.

Production of man-made fibre, filament yarn, spun yarn and cloth					
Period	Manmade fibre	Manmade filament yarn	Cotton yarn	Blended & 100% Non-cotton yarn	Total Spun Yarn
2006-07	1139	1370	2824	989	3813
2007-08	1244	1509	2948	1055	4003
2008-09	1066	1418	2899	1015	3914
2009-10	1268	1522	3079	1114	4193
2010-11*	1281	1550	3469	1214	4683

Figure in Million Kg, *-Projected

Source: Ministry Of Textile, Office of the Textile Commissioner

Fundamental Cotton Price Outlook for Coming Week

Cotton prices are expected to remain firm on crop losses expected and delay in arrivals in Punjab and Haryana. However, higher crop expectations might restrict upside in the medium to long term.

Cotton Spot Prices (Kadi Market) Technical Analysis



As evident from the above chart, cotton prices are moving in a range from 4585-5000 level and breaching either level would give us further price direction. If 5000 level is broken then we could see the prices moving up to 5370 level indicated by a Red Line. If 4585 level is broken then we could see the prices moving down to 4230 level indicated by a Green Line. Oscillator RSI is moving down in the neutral region

hints for a bearish market. Indicator MACD is flat in the positive region hints for a firm market. We expect prices to remain range bound with firm bias in coming week.

Strategy: Buy on dips or one can opt to buy near 4600 level and partially book profit near 4950 and then near 5000.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
4245	4415	5070	5240

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	4500-5000	Range bound to firm

Prices-Rs/quintal Kadi prices- Bt quality

Cotton Prices at Key Spot Markets: Rs/Quintal

Commodity	Centre & Variety	% Change Over Previous Week	Current 19/09/11	Week Ago 12/09/11	Month Ago 19/08/11
Cotton	Kadi –Bt Cotton	1.03	4700-4900	4625-4850	4000-4375
	Amravati –Vunni Mech-1	-	4200-4600	4200-4600	4200-4600
	Ahmedabad – Shankar-6	-	4000-4625	4125-4625	4000-4500
	Abohar – J-34	-	4000-4050	4050	3750
	Muktsar– J-34	-	4000-4050	4050	3800

Technical Analysis of Cotton Futures April 2012 contract at NCDEX



Prices-Rs/20kg

As evident from the above chart, prices have moved above the 38.2% retracement level of 749.5 and if prices remain below this level we could see prices upto to the 50% retracement level of 788.5 which acts as a firm resistance. Short term EMAs (9 and 18 days) hints for short term firmness. RSI is flat in the neutral region, which suggests for a possible sideways movement in prices. Indicator MACD is suggesting a decline in bearish momentum.

Support 2	Support 1	Resistance 1	Resistance 2
726.1	739.1	796.7	812.6

Strategy: Wait or buy at the mentioned support levels (726 & 739).

INTERNATIONAL MARKET

Cotton futures finished lower last week after absorbing unexpectedly large U.S. export sales cancellations and a confusing welter of revisions in USDA's updated supply-demand estimates. Prices fell after weekly data showing net U.S. all-cotton 2011-12 export sales cancellations of 170,600 running bales spurred new worries about demand. Gross upland sales were 74,600 running bales and cancellations were 246,000 bales, including 201,100 bales for China.

Commitments declined to 6.615 million running bales, about a million bales behind bookings a year ago but 57 percent of the new USDA forecast. All-cotton shipments remained low at 64,800 running bales, likely restricted by availability issues. Shipments for the season totalled 643,500 running bales, 514,300 bales behind exports a year ago, and were about 9.7 percent of the commitments.

On the crop scene, with the U.S. planted acres estimated up at 995,000 from the indication a month ago to 14.72 million, USDA left its U.S. crop forecast at 16.56 million bales. Acres-for-harvest rose by 180,000 to 9.85 million and abandonment climbed to a new record high of 33.1 percent. Abandonment jumped 810,000 acres to 4.87 million and projected yields fell to 807 pounds, 15 pounds below the five-year average and down five pounds from last year.

ICE Futures (December Contract) Technical Analysis



New York Futures on ICE

As evident from the chart prices are moving down and broken the USc 108/lb level. Now it could retest USc 103/lb level which is the main support level. If USc 103/lb and USc 101/lb are broken we could see prices at USc 99/lb. immediate resistance is at USc 112/lb and 114/lb levels. MACD is moving down in the positive region supporting the bearish sentiments. RSI is moving down in the neutral region and supports the bearish sentiments.

Support 2	Support 1	Resistance 1	Resistance 2
101.752	103.562	112.651	114.059

All in USc/lb

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