

Highlights of the Week

- Cotton prices remained steady to firm at major trading centers as millers and exporters were buying at lows.
- Markets moved higher as harvest season may start only by the middle of November due to late arrival of monsoon this year has prolonged the cotton crop cycle.
- Gujarat state has seen an increase in sowing area by over 3 lakh hectares at 2.98 million hectares in the current kharif season. State's production would rise by around 7 per cent to 11.3 million bales in 2011-12 as against 10.5 million bales in 2010-11.
- However supplies could increase post Dussehra and may pull markets in the coming week.
- Demand from exporters and millers persist in the market but may want to wait for the dip in prices before buying. Millers and exporters do not have enough stock for the month and may enter the markets at current levels.
- Exporters were active this week as there was good demand from countries like China, Bangladesh, Thailand and Taiwan.

Current Market Dynamics

Cotton prices may continue to remain range bound in the next week till fresh arrivals start to come post Dussehra festival. However, demand for cotton from mills and exporters will remain limited amid higher arrivals. Prices may decline after Diwali. Cotton exports by India will rebound in the year through September 2012 on bumper production and a weak rupee, but bigger harvests in top buyers China and Pakistan may limit sales realization. Cotton exports may climb to anywhere between 8 million and 9 million bales in 2011-12, compared with 7 million bales last year, aided by the absence of government restrictions on the fibers trade.

Gujarat state has seen an increase in sowing area by over 3 lakh hectares at 2.98 million hectares in the current kharif season. State's production would rise by around 7 per cent to 11.3 million bales in 2011-12 as against 10.5 million bales in 2010-11. Gujarat Ginners Association has predicted 140 lakh bales production in Gujarat, against 110 lakh bales last year.

Meanwhile, The Indian technical textile industry is expected to grow to a value of Rs 158,000 crore by 2017. The technical textiles industry is forecast to grow at Rs 158,000 crore by 2016-17, with a projected growth of 20%. The industry has grown to Rs 63,000 crore in 2011-12 from Rs 41,000 crore in 2010-11, which is 11% growth per annum.

Fundamental Cotton Price Outlook for Coming Week

Cotton prices are expected to remain weak on new crop arrival, offloading of stocks and higher production estimates for 2011-12. However millers and exporters may start to buy at lower levels which may restrict downside.

Cotton Spot Prices (Kadi Market) Technical Analysis



As evident from the above chat, cotton prices are still trading in a range from 4500-5000 level and breaching either level would give us further price direction. Prices remain above important supports of seen at 4575 and 4475 and below important resistance are seen at 5025 and 5150. Oscillator RSI is moving down in the neutral region supports bearish sentiments. Indicator MACD is moving down in the positive region hints for a decline in bullish mometum. We expect prices to remain range bound in coming week.

Strategy: Buy at supports and book profits at resistances.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
4475	4575	5025	5150

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

Prices-Rs/quintal Kadi prices- Bt quality

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current 10/10/11	Week Ago 03/10/11	Month Ago 10/09/11
Cotton	Kadi-Bt Cotton#	-6.05	4250-4650	4650-4825	4625-4850
	Amravati-Vunni Mech-1#	8.00	3800-4300	3500-4000	4200-4600
	Ahmedabad-Shankar-6#	5.45	4000-4700	3750-4500	4125-4625
	Abohar-J-34*	4.08	3825	3675	4050
	Muktsar-J-34*	4.08	3825	3675	4100

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Arrivals		Change
	Week Ending 10-10-11	Week Ending 03-10-11	
Kadi -Bt Cotton	395	225	170
Amravati -Vunni Mech-1	-	-	-
Ahmedabad - Shankar-6	66000	44000	22000
Abohar	2100	1700	400
Muktsar	1000	650	350

Kadi-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmedabad, Abohar and Muktsar-Bales

Technical Analysis of Cotton Futures April 2012 contract at NCDEX



Prices-Rs/20kg

As evident from the above chart, prices remain within 700-750 levels and breaching either level would give us further prices direction. According to the Fibonacci Retracements support is at 704.7 and immediate resistance is at 748.9. Short term EMAs (9 and 18 days) hints at firm trend in the market. RSI is moving up in the neutral region hints for firmness. Indicator MACD is suggesting a decline in bearish momentum.

Support 2	Support 1	Resistance 1	Resistance 2
700	715	755	765

Strategy: Buy at the mentioned support levels and book profits at mentioned resistance levels.

INTERNATIONAL MARKET

Cotton production in China and Pakistan are expected to rise to 7.25 million tonnes and 2.27 million tonnes in 2011-12, compared with 6.40 million tonnes and 1.91 million tonnes, respectively, a year earlier on better weather conditions, the International Cotton Advisory Council said. Global cotton consumption is expected to touch 24.72 million tonnes in 2011-12, compared with an output of 26.91 million tonnes, according to the Council's estimate. Bigger harvests in key countries due to higher planting in 2011-12 will drive up stocks.

Pakistan now expects to produce about 12.5 million cotton bales this year, as its production target has scaled down by 2.5 million bales due to heavy rains and floods which caused huge damages to crops in Sindh. This might prompt Pakistan to import about 1.5 million cotton bales to meet the industry needs while the country could also export about one million bales.

ICE Futures (December Contract) Technical Analysis



New York Futures on ICE

As evident from the chart prices are moving up and closed above 9 and 18-day EMAs supporting the bullish sentiments in the markets. Important supports are seen at USc 96.71/lb and USc 100.02/lb and important resistance are seen at USc 107.21/lb and USc 110.52/lb. Oscillator RSI is moving up in the

neutral region supports bullish sentiments. Indicator MACD is moving up in the negative region hints for a decline in bearish momentum. We expect prices to remain range bound to firm in coming week.

Support 2	Support 1	Resistance 1	Resistance 2
96.71	100.02	107.21	110.52

All in US\$/lb

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