

Highlights of the Week

- Cotton prices remained mixed as cotton exports will see a rebound through 2012 on bumper production and a weak rupee. Cotton exports may climb to anywhere between 8 million and 9 million bales in 2011-12, compared with 7 million bales last year.
- Traders estimate is about 36.1 million bales versus Cotton Advisory Board Estimate at 35.5 million bales.
- However demand for cotton from mills and exporters was limited amid higher arrivals. Trade sources expect prices to decline after Diwali.
- Meanwhile, Gujarat Ginners Association has predicted 140 lakh bales production in Gujarat, against 110 lakh bales last year.
- Separately, the Ministry of Textiles said in its report that 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.

Current Market Dynamics

USDA said in its report that India's production will be around 27.5 million bales (480 pound bales) in October compared to 27 million bales a month ago. The growth forecast is about 8% from the previous year. Ending stocks could rise from 7.75 million bales estimate in September to 8.45 million bales in October. Harvested area in 2011/12 for India is expected to rise 12% from a year earlier to 12.5 million hectares. India's cotton exports is forecast to export nearly 5.25 million bales in 2011/12, an increase of 3 percent from the preceding year. Consumption in India is unchanged from the previous year at 20.5 million bales.

India Cotton Supply and Use in million bales (480 pound bales)							
2011/12 Proj.		Beginning Stocks	Production	Imports	Domestic Use	Exports	Ending Stocks
India	Sep	6.25	27.0	0.50	20.5	5.50	7.75
	Oct	6.25	27.5	0.45	20.5	5.25	8.45
Source: USDA							
All estimates are for 2011-12							

Cotton prices may continue to remain range bound in the next week till fresh arrivals start to come post Diwali festival. However, domestic demand for cotton from mills and exporters will remain limited amid higher arrivals. On the other hand, export demand may gather momentum as exporters however have started to procure cotton as foreign buyers show interest. Good demand is coming from China, Bangladesh, Indonesia and Pakistan. Sources added that this year we could continue to see the supply and demand mismatch as production will be higher at 350 lakh bales but demand will remain sluggish from the industries due to the losses incurred last year. High inflation and slower economic growth will also reduce the growth in demand.

Meanwhile, South Indian Mills Association (SIMA) has said that fair cotton trade policy is the need of the hour to bailout the ailing textile industry. The statement has come after Indian textile industry has incurred a loss of over Rs.15000 crores during the current financial year. The statement was also supported by the Confederation of Indian Textile Industry (CITI) which added that further incentives will only be detrimental to the domestic textile mills and related industries.

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 moving down but still remain above 9 and 18-day EMSs supporting the bullish sentiments in the market. Prices are trading in range from 4500 and 5000 which acts as crucial support and resistance and breaching either levels would give us further prices direction. Oscillator RSI is moving down in the neutral region supports bearish sentiments. Indicator MACD is moving up in the positive region hints for an increase in bullish momentum. 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
4500	4600	4900	5000

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 17/10/11	Week Ago 03/10/11	Month Ago 10/09/11
Cotton	Kadi-Bt Cotton#	3.76	4550-4825	4250-4650	175
	Amravati-Vunni Mech-1#	2.32	4100-4400	3800-4300	100
	Ahmedabad-Shankar-6#	-1.06	4000-4650	4000-4700	-50
	Abohar-J-34*	-0.91	3790	3825	-35
	Muktsar-J-34*	-0.65	3800	3825	-25

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Arrivals		Change
	Week Ending 17-10-11	Week Ending 10-10-11	
Kadi -Bt Cotton		395	
Amravati -Vunni Mech-1	-	-	-
Ahmedabad - Shankar-6		66000	
Abohar		2100	
Muktsar		1000	

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. Short term trend remain mixed as prices have closed below 18-day EMA (and above 9-day EMA. RSI is flat in the neutral region hints for sideways movement. Indicator MACD is suggesting a decline in bearish momentum.

Support 2	Support 1	Resistance 1	Resistance 2
713.3	720.7	744.7	749.3

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

INTERNATIONAL MARKET

Global 2011/12 production is forecast at a record 124.2 million bales, an 8-percent increase from the preceding year, as major Southern Hemisphere producers push for bigger crops. Brazil, the largest grower in the Southern Hemisphere, is expected to produce 9.0 million bales in 2011/12, unchanged from the previous year's record, as favorable market prices are expected to sustain planted area.

In Australia, an abundant supply of irrigation water, adequate soil moisture, and relatively higher market prices are expected to yield a record 5.0 million bales, up 4 percent from a year earlier. Australia's 2011/12 harvested area is forecast to rise 2 percent to a record 600,000 hectares.

China production, are forecast to grow 33.5 million bales up 10% from the previous year. Harvested area in 2011/12 for China is expected to rise 7% from a year earlier to 5.5 million hectares. Pakistan and the United States are forecast to produce 10.0 million bales and 16.6 million bales in 2011/12, a 14% increase from Pakistan's previous crop and an 8-percent decrease in the United States. U.S. 2011/12 harvested area is forecast to decline 8 percent from a year ago, to nearly 4.0 million hectares. The area in the U.S has declined due to drop abandonment due to unfavorable weather in Texas.

World Cotton Supply and Use in million bales (480 pound bales)							
2011/12 Proj.		Beginning Stocks	Production	Imports	Domestic Use	Exports	Ending Stocks
World	Sep	43.97	122.96	37.31	115.22	37.30	51.91
	Oct	44.87	124.19	36.53	114.38	36.51	54.83
US	Sep	2.60	16.56	0.01	3.80	12.00	3.40
	Oct	2.60	16.61	0.01	3.80	11.50	3.90
Australia	Sep	2.55	4.50	3.00	0.04	4.20	2.96
	Oct	2.55	5.00	3.00	0.04	4.30	3.36
Brazil	Sep	7.31	8.70	0.10	4.60	3.60	8.06
	Oct	7.81	9.00	0.10	4.40	3.80	8.86
India	Sep	6.25	27.00	0.50	20.50	5.50	7.75
	Oct	6.25	27.50	0.45	20.50	5.25	8.45
China	Sep	11.60	34.00	14.50	46.00	0.05	14.05
	Oct	11.60	33.50	14.00	45.50	0.05	13.55
Pakistan	Sep	2.56	9.80	1.45	10.30	0.45	3.03
	Oct	2.56	10.00	1.50	10.30	0.45	3.28
Source: USDA							
All Estimates is for 2011							

ICE Futures (December Contract) Technical Analysis



New York Futures on ICE

As evident from the chart prices are moving in small trading range from USc 98-105 which acts as important support and resistance and breaching either level would give us further price direction. Prices remain below 9 and 18-day EMAs supporting the bearish sentiments in the markets. The RSI at 46.51 has issued a buy signal. The M.A.C.D. histogram at -0.98 and hints for a decline in bearish momentum. A weekly close at or above 103.84 in December Cotton will turn the weekly trend up.

Support 2	Support 1	Resistance 1	Resistance 2
98.7	100.1	104.2	105.1

All in USc/lb

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
 © 2005 Indian Agribusiness Systems Pvt Ltd.