

Highlights of the Week

- Prices remained mixed as crop picking increased and arrivals also increased.
- Higher Production estimates continue to weigh on prices.
- Weak demand and anticipation of further drop due to higher production estimates may also continue to weak prices.
- Prices may continue the current downtrend as millers may want to buy at lower levels.

Current Market Dynamics

Cotton prices remained mixed as buyers remained inactive wanting lower levels. Pace of arrivals has also declined as farmers are holding onto stocks in anticipation of better prices. However, farmers may not hold onto stocks much longer as the cotton that is arriving right now contains moisture and the farmer cannot hold back this cotton as it will turn yellow if stocked for long. So this may pressurize markets down.

Export demand remains firm, however may continue weaken at higher levels and may pressurize prices to weaken further. India has contracted exports of about 1 million bales of cotton from the new season crop during the marketing year that began October 01st 2011. Prices may continue its downtrend as demand for cotton has shifted from India to Pakistan due to lower rates there. Prices may also weaken as pick arrival season will start in another week or so.

Weather will assist harvest in all states. Picking has started in all major states like Gujarat, Rajasthan, A.P, Haryana and Punjab. USDA said in its report that Indian output is expected to increase to 27.5 million bales, from 25.4 million bales the previous season.

Weather and Crop Condition

Harvesting and picking will be facilitated by dry and clear weather in Gujarat, Punjab, Haryana and Maharashtra. Weather is also favorable for crop picking in Karnataka and Andhra Pradesh, however wet and cloudy weather in Tamil Nadu remains a concerns and pickings may slow down.

Arrivals Comparison of Shankar Cotton at Ahmedabad market

Centre	Arrivals (Bales)		
	Week Ending 21-11-11	Week Ending 14-10-11	Week Ending 21-11-10
Ahmedabad – Shankar-6	165,000	145,000	125,000

Pace of the arrivals of the new crop remained higher compared to last week and last year however farmers are holding onto stocks due to anticipation of better prices for the new crop. Arrivals may slowdown in the next week or so if prices continue to weaken.

Fundamental Cotton Price Outlook for Coming Week

Cotton prices are expected to remain range bound with slightly weak tone due to increasing new crop arrival coupled with higher production estimates for 2011-12 besides slowdown in exports. However, farmers holding onto stocks due to the lower pricing may restrict further downside.

Cotton Spot Prices (Kadi Market) Technical Analysis



As evident from the above chat, cotton prices are moving down trend remained weak as prices have closed below 9 and 18-day EMAs. The M.A.C.D. is at -34.15 down from previous week's value of -9.21 and hints for a increase in bearish momemtum. RSI is moving down in the neutral region and supports bearish momentum. A weekly close at or below 4542 in Kadi Prices will turn the weekly trend down, but a weekly close at or below 4750 will turn trend up.

Strategy: Sell on rallies or towards the mentioned resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3950	4250	4850	5150

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	4200-4450	Range bound to weak

Prices-Rs/quintal Kadi prices- Bt quality

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current 21/11/11	Week Ago 14/11/11

Cotton	Kadi-Bt Cotton#	-1.07	4450-4600	4400-4650
	Amravati-Vunni Mech-1#	-1.12	4100-4400	4300-4450
	Ahmedabad-Shankar-6#	1.71	4250-4450	4125-4375
	Abohar-J-34*	-7.11	3460	3725
	Muktsar-J-34*	8.72	4050	3725

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Arrivals		% Change
	Week Ending 21-11-11	Week Ending 14-11-11	
Kadi -Bt Cotton	1075	1725	-37.6
Amravati -Vunni Mech-1	4600	3300	39.3
Ahmedabad - Shankar-6	165000	145000	13.7
Abohar	6500	7200	-9.7
Muktsar	1800	1500	20.0

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 710-760 levels and breaching either level would give us further prices direction. Short term trend remain weak as prices have closed below 9 and 18-day EMAs. RSI is flat in the neutral region hints for sideways momentum in the market. Indicator MACD is suggesting a decline in bearish momentum. A weekly close at or above 721.3 will turn the weekly trend up, but a weekly close at or below 706.1 will send bearish signals.

Support 2	Support 1	Resistance 1	Resistance 2
697.1	706.7	731.1	745.6

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

INTERNATIONAL MARKET

US futures fell heavily this week after Cotlook said in its report that world long-staple cotton production will outpace consumption by 130,000 metric tons in the 2011-12 marketing year. Global output of long-staple varieties is expected to total 639,000 tons in the period. Long-staple cottons account for about 2.5 percent of total world production of the fiber and are used to make luxury items. Cotlook also added that supply will be surplus and prices will stay under downward pressure in the immediate future.

Prices were also weakened after Pakistan's cotton arrivals increased to 7.969 million bales till date for this season against 7.453 million bales received last year thus an increase of 6.92% compared to last year.

However, China may need to import 700,000 to 800,000 tonnes of cotton to restock state reserves in the crop year that began in September. However, stronger harvest this in the world may stop them from buying in the near future which may continue to pull markets lower. Currently, stockpiles in China is estimated to be around 1 million tonnes much lower compared to the usual of 2-3 million tonnes. China has already imported 200,000-300,000 tonnes of cotton in calendar 2011 to refill its reserves. Purchases may decline as already 70% of US new crop has already been booked.

USDA released its weekly crop report and the report showed 79 percent of the U.S. cotton crop had been harvested as of November 13th. That's up from 70 percent the previous week. The Texas crop was near 79 percent harvested; up from 67 percent a week earlier. Alabama's cotton crop stood at 72 percent harvested; up from 61 percent the prior week. The U.S. cotton harvest is nearing its finish in another month or so all harvest will be completed. .

ICE Futures (March 2012 Contract) Technical Analysis



New York Futures on ICE

As evident from the chart prices are moving down after breaking a crucial level of USc 93. Prices closed below 9 and 18-day EMAs supporting the bearish sentiments in the markets. The RSI at 36.11 and is below the last week's value at 45.06 and is supporting the bearish momentum. The M.A.C.D. at -1.22 is below last week value at -0.578 and hints for a increase in bearish momentum. A weekly close at or below USc 93.81 in March Cotton will continue to send bearish signals and may push prices below the crucial level of USc 90. However, A weekly close at or above 104.72 in March Cotton will turn the weekly trend up.

Support 2	Support 1	Resistance 1	Resistance 2
86.75	89.74	97.47	100.46

All in USc/lb

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