

### Highlights of the Week

- ❖ The cotton prices were seen in ups and downs trend in the cotton spot markets patchy demand and lower stocks.
- ❖ Domestic mills have contracted 10-11 lakh bales of cotton for import from West Africa following shortage in the spot market.
- ❖ Higher exports during this year have resulted in shortage. Exports have crossed 120 lakh bales this season compared to the estimate of 85 lakh bales made by the Cotton Advisory Board.
- ❖ In terms of volume, Pakistan has exported 1.66 million bales during last fiscal year as against 0.937 million bales in fiscal year 2010-2011, showing an increase of 77.8 percent.
- ❖ Cotton Yarn prices will go up due to rising apparel and textile millers' demand.
- ❖ The cotton prices are likely to trade on bullish side in coming week due to tight supplies.

### Domestic Market Fundamental

The cotton markets traded upside in Gujarat and Punjab however traded downside in Rajkot and Maharashtra on back of lower demand. Depleting stocks against demand weighed on the cotton prices. Mills in South India are importing cotton from Africa and Brazil following cheaper price in the international markets.

Cotton merchants and growers in and nearby villages of Amravati are affected by hefty local tax.

Cotton cultivation in India, the world's second-biggest producer, is likely to fall in 2012/13 from last year, as patchy rains in key growing areas and better returns from competing crops like soybeans, Guar.

Rains during the week have revived the hopes of farmers in Andhra Pradesh, with rainfall deficit coming down to 6 per cent from 24 per cent a fortnight ago.

The government has represented total cotton production for 2011/12 at 35.20 million tonnes in its fourth advance estimates.

#### **Yarn & Textile Production & Demand**

According to market source, Indian textile mills will import around 1.5 million bales of cotton mainly from Africa, Australia and Brazil. So far textile players have imported around 500,000 bales at 75-80 cents per lb, compared with the domestic cotton price of about 88 cents.

#### **Domestic Export Scenario:-**

India had been actively exporting cotton, mainly to China during the first nine months of the cotton year (2011-12), but its exports have nearly halted from the end of June.

**Crop Situation:** - Area under cotton is down at 9.72 million hectares as on 27<sup>th</sup> July 2012 compared to 10.4 million hectares during the same period last year. Higher acreage is reported in the states of Andhra Pradesh (up by 1.16 lakh ha.), Maharashtra (up by 1.98 lakh ha.), Orissa (up by 0.05 lakh ha.) and Uttar Pradesh (up by 0.08 lakh ha.) as per Ministry of Agriculture. Lower area is reported in the

### Weather Situation (IMD Report)

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Source: IMD

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 27/7/2012	Previous Week 20/7/2012
<b>Cotton</b>	Amravati–Vunni Mech-1#	<b>-4%</b>	4800	4950-5000
	Kadi–Bt Cotton#	<b>4%</b>	4950-5100	4750-4900
	Ahmedabad–Shankar-6#	<b>1%</b>	4750-4900	4750-4875
	Gondal	-	2500-4900	-
	Rajkot-(Bt Cotton)	<b>-1%</b>	4300-5025	4175-5055
	Abohar–J-34*	<b>1%</b>	3900	3850
	Muktsar–J-34*	<b>1%</b>	3900	3850
	Fajlika#	<b>1%</b>	3900	3860
	Khandwa M.P.	<b>Unch</b>	5100-5200	5200
	Patan-(Bt Cotton)	-	-	4400-4500
<b>3825</b>	Sri-Ganganagar	<b>Unch</b>	3825	3810

\*-Rs/maund, #-Rs.qtl

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 27/7/2012	Previous Week 20/7/2012	
Amravati –Vunni Mech-1	3900	7300	<b>-47%</b>
Kadi –Bt Cotton	75	255	<b>-71%</b>
Ahmedabad – Shankar-6	52000	47000	<b>11%</b>
Gondal	1407	1447	<b>-3%</b>
Rajkot-(Bt Cotton)	5056	5564	<b>-9%</b>
Abohar J-34*	1000	-	
Muktsar J-34*	-	-	
Fajlika	-	-	
Khandwa M.P.	-	-	
Sri-Ganganagar	-	-	
Patan-(Bt Cotton)	-	-	

**Cotton Cumulative Arrivals in Key Centers**

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	Current Week 27/7/2012	Previous Week 20/7/2012	
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Muktsar J-34*	-	-	-
Fajlika	-	-	-
Khandwa M.P.	-	-	-
Sri-Ganganagar	-	-	-
Patan-(Bt Cotton)	-	-	-

(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

**Cotton Association of India Spot Rates**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (26/7/2012)	Rs. Per Candy (19/7/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	43300	43300	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	44500	44500	Unch
J-34(202)	26mm	3.5 - 4.9	23	35200	35300	-100
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	36800	37200	-400
Shankar-6(105)	29mm	3.5 - 4.9	28	37300	37700	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40100	40400	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	N.Q.	40300	
DCH-32(107)	34mm	3.0 - 3.8	33	54000	52500	1500

**Fundamental Cotton Price Outlook for Coming Week**

We expect sideways to bullish momentum in upcoming week on back of good demand against lower stocks. However, Imports of raw cotton by mills in India is adding to the weak tone of the market.

**Cotton Spot Prices (Kadi Market) Technical Analysis**

**Prices-Rs/quintal**

- Continued bullish trend reflected in the cotton spot market due to buying pressures.
- On the other hand, RSI is moving up in neutral region hints a bullish momentum in upcoming days.
- Above 9 & 18 days EMAs reinforcing its medium term & long term bullish momentum.
- Any near-term jump might face resistance towards the level of 5380 breaching it would test the level of 5754.7.

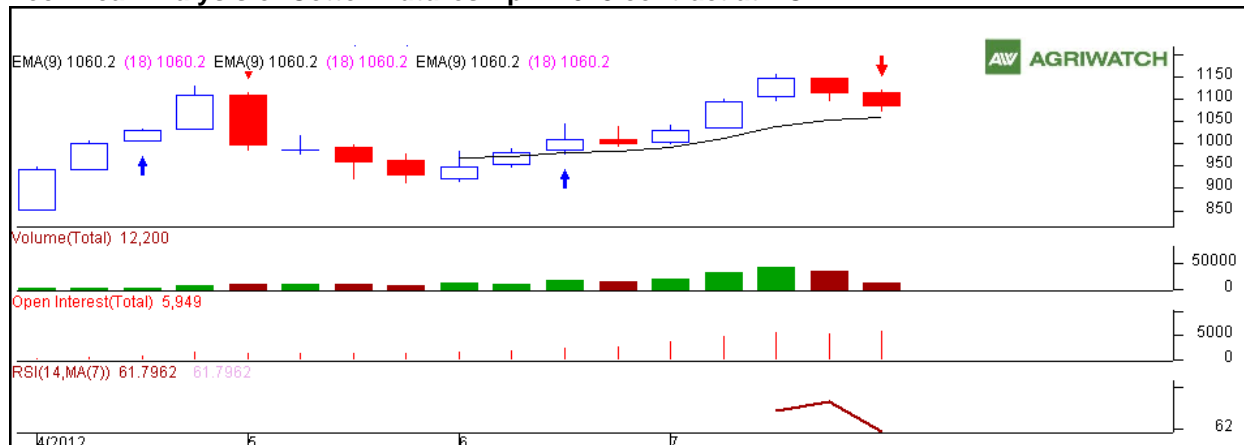
**Trading Strategy:** 4037.6 to 5380 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

**Buy on dips towards price level between Rs. 4875-4925**

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
3751.4	4037.6	5380	5754.7

Prices-Rs/quintal Kadi prices- Bt quality

**Technical Analysis of Cotton Futures April 2013 contract at NCDEX**


Rs/per 20 kgs

- April contract in NCDEX closed down due to selling interest.
- Rising open interest & falling prices depicts market under short build up phase.
- Immediate resistance could be seen at 1157 crossing such level price would test second resistance level at 1175.
- Our short term outlook on the contract is bullish. We advise to go for long positions price level around 1072-1082 and book profit near resistance level.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
1020	1037	1157	1175

**Expected Price range of Cotton Prices for next week**

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1037-1157	Sideways to Bullish Momentum

**International Market****The United States**

Cotton futures at NYMEX closed higher on Friday following likely stockpiling of fibre by China into the next year and likely fears of a drought in India.

In terms of volume, Pakistan has exported 1.66 million bales during last fiscal year as against 0.937 million bales in fiscal year 2010-2011, showing an increase of 77.8 percent.

According to the National Agriculture Statistics Service, boll setting of cotton crops in Southwestern markets of US had reached 59% in Georgia, 39% in Alabama, 28% in North Carolina, 20% in South Carolina, and 10 % in Virginia.

As per USDA report, US cotton production for 2012/13 is unchanged at 17.0 million bales, despite a 4-percent reduction in planted area in the June Acreage report, as abandonment and yield have been adjusted based on current conditions. Forecast domestic mill use is reduced 100,000 bales based on recent activity levels. Exports are raised due to higher projected global imports and slightly reduced foreign competition.

Cotton prices in Pakistan firmed up following slow down in arrivals in Sindh

As Per CN Cotton, China is likely to reduce cotton crop to 6.86 million metric tons in 2012/13 lower 9.1% from a year earlier on account of lowering 9.6% in acreage.



**ICE Futures (Oct 2012 Contract) Technical Analysis**


Oct Contract of ICE futures continued closed up amid buying interest. RSI is marginally moving up to 34.22 in neutral region against 34.12 of previous week level hints sideways momentum in upcoming days. Prices ranged between 68.95 to 71.99 during the week. Immediate resistance level is at 74.05 breaching this may touch 75.32 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
67	68	74.05	75.32

All in USC

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