

Highlights of the Month

- ❖ The Cotton Prices closed on higher side amid rising local miller demand amid lower stocks.
- ❖ Domestic mills have contracted 10-11 lakh bales of cotton for import from West Africa following shortage in the spot market.
- ❖ 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.
- ❖ 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.
- ❖ World cotton trade is likely to fall by 20% to 7.5 million tons in 2012/13 in expectation of lower imports by China in 2012/13.
- ❖ The cotton prices are likely to trade with sideways to bullish momentum in coming month in expectation of rising demand amid lower supplies.

Current Market Dynamics

The cotton markets traded upside in all the cotton spot markets during the month supported by good demand. Depleting stocks against demand weighed on the cotton prices. However, 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.

Area planted under cotton is likely to decrease in 2012-13 by 200,000 hectares to 10.6 million hectares, lower by 1.6 million hectares which was 2011-12. Further decrease in the area could be result of shortfall of rains during August. Forecasted estimate at 30.0 million 170 kg bales, down 700,000 bales from the current USDA estimate.

Indian farmers are likely to reduce cotton area by 10 to 15% during this year, as per Textile commissioner due to deficit in rain and poor price as seen last few months.

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

As per rating agency Fitch in its 2012 mid-year outlook on Indian textiles, India cotton prices will continue increase on fall in acreage and delayed monsoon for September 2012-March 2013 cotton season. On the other hand, Ginners said that cotton will not move down much in near future due to shortage of the stocks and scanty rain. Currently, cotton price may not go below Rs 36,000 a candy (of 356 kg) in the near future as ginning activity is weak due to lower stock availability.

Meanwhile, cotton imports by mills in the South have picked up considerably in the last one month.

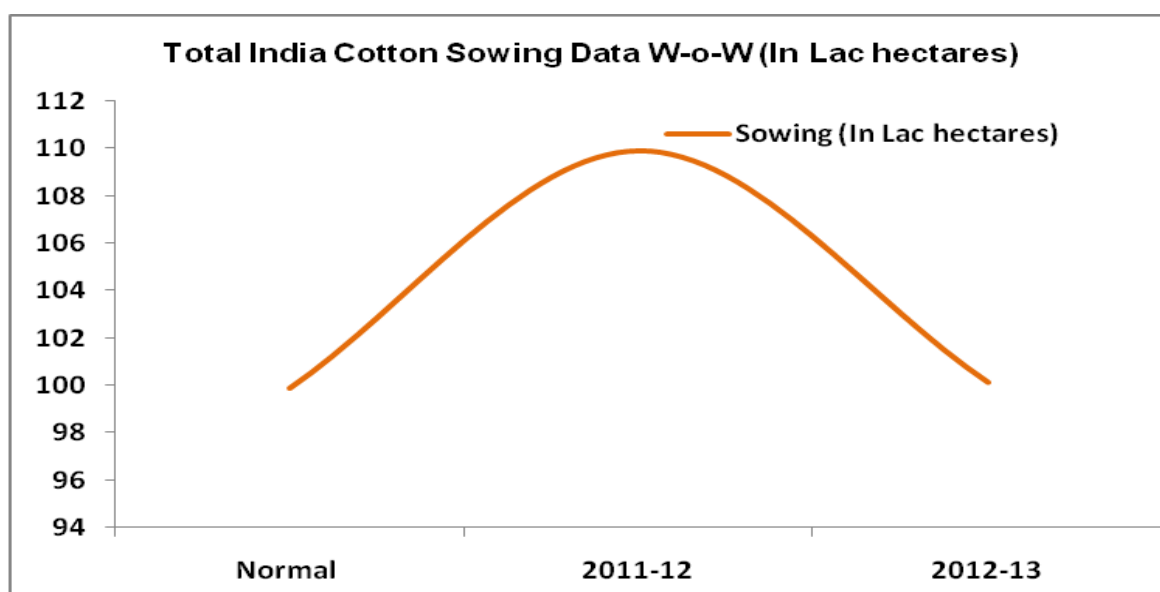
Crop Situation: -

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.

Area under cotton is down by 9.78 lakh hectares to 100.14 lakh hectares as on 3rd August 2012 compared to 109.92 lakh hectares during the same period last year. Higher acreage is reported in the states of Andhra Pradesh (up by 2.43 lakh ha.), Maharashtra (up by 0.37 lakh ha.), Orissa (up by 0.15 lakh ha.) as per Ministry of Agriculture. Lower area is reported in the states of Gujarat (down by 7.1 lakh ha.), Madhya Pradesh (down by 1.09 lakh ha), Haryana (down by 0.83 lakh ha.), Karnataka (down by 1.64 lakh ha.), Punjab (down by 0.59 lakh ha.) and Rajasthan (down by 1.39 lakh ha.) compared to same period during previous year.

Below Figure shows sowing status of Cotton in India as on 3rd August 2012

	2012-13	2011	Normal (as on date)	Normal (Season)
Area Sown (In Lac hectares)	100.14	109.92	99.89	111.81



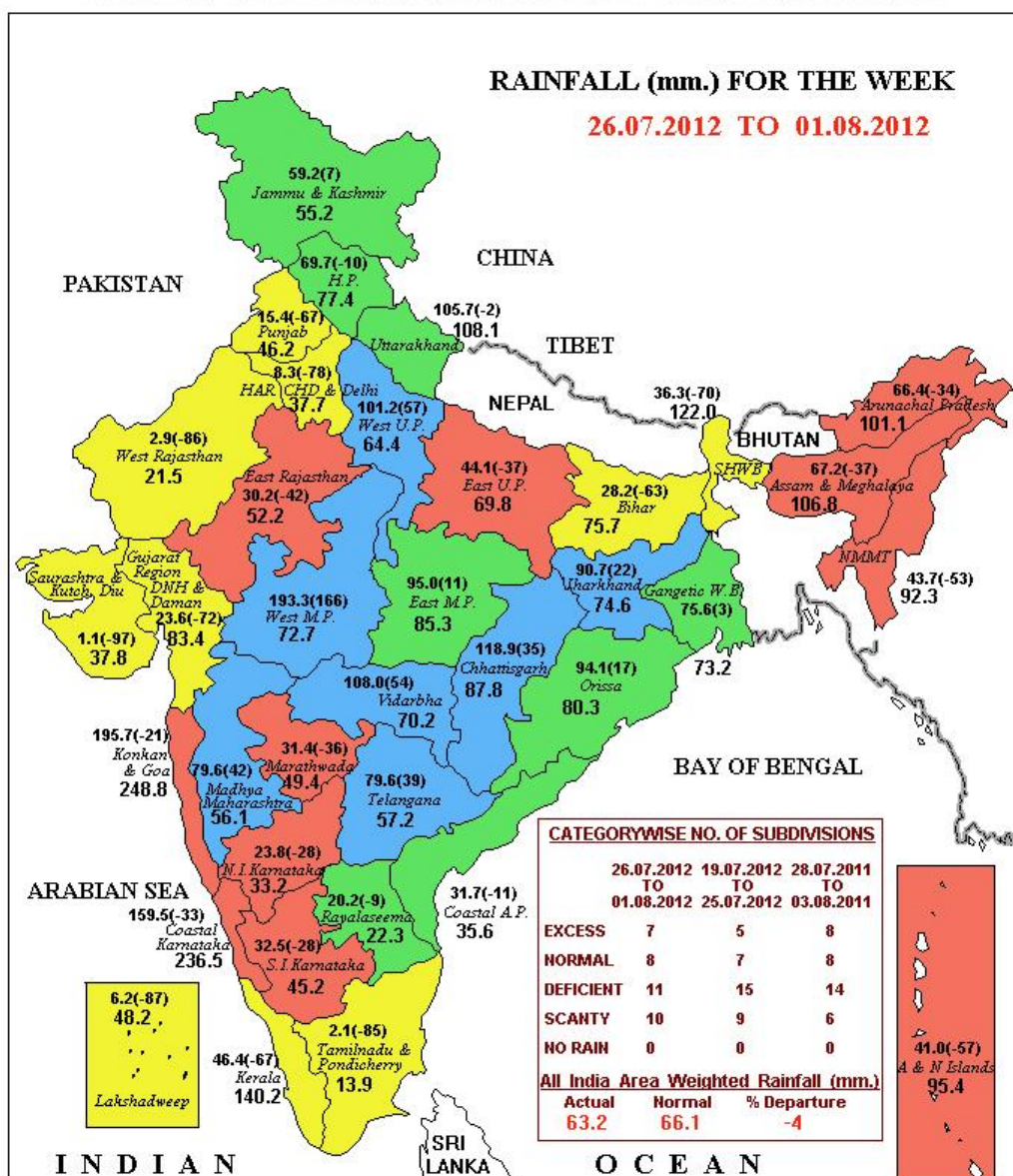
Source: Ministry of Agriculture

Monsoon Impact for Cotton Sowing Progress

As per IMD, Punjab, Haryana, Chandigarh & Delhi, West Rajasthan and Saurashtra & Kutch have received scanty of rainfall. In area wise distribution 37% area of the country received excess/normal rainfall. Remaining 63% area received deficient/scanty rainfall. On the other hand, the North East region, North Bihar and North Bengal have received heavy rainfall.

IMD has forecasted for August month that active monsoon conditions would prevail over parts of central & east India during 1st half with decrease in rainfall during 2nd half of week. Isolated heavy rainfall would occur over Orissa, Chhattisgarh, Vidarbha and Madhya Pradesh during 1st half of the week. Rainfall would occur at many places along the west coast and over northeast India. Rainfall would occur at few places over northwest India during the 1st half of the week and would increase towards the 2nd half of the week particularly over Uttar Pradesh, Uttarakhand and Himachal Pradesh. Subdued rainfall activity would occur over the remaining parts of country particularly over interior Peninsula.

भारत मौसम विज्ञान विभाग INDIA METEOROLOGICAL DEPARTMENT



LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)
■ SCANTY [-60% TO -99%] ■ NO RAIN [-100%] ■ NO DATA

NOTES:

(a) Rainfall figures are based on operational data.

(b) Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
 Percentage Departures of Rainfall are shown in Brackets.

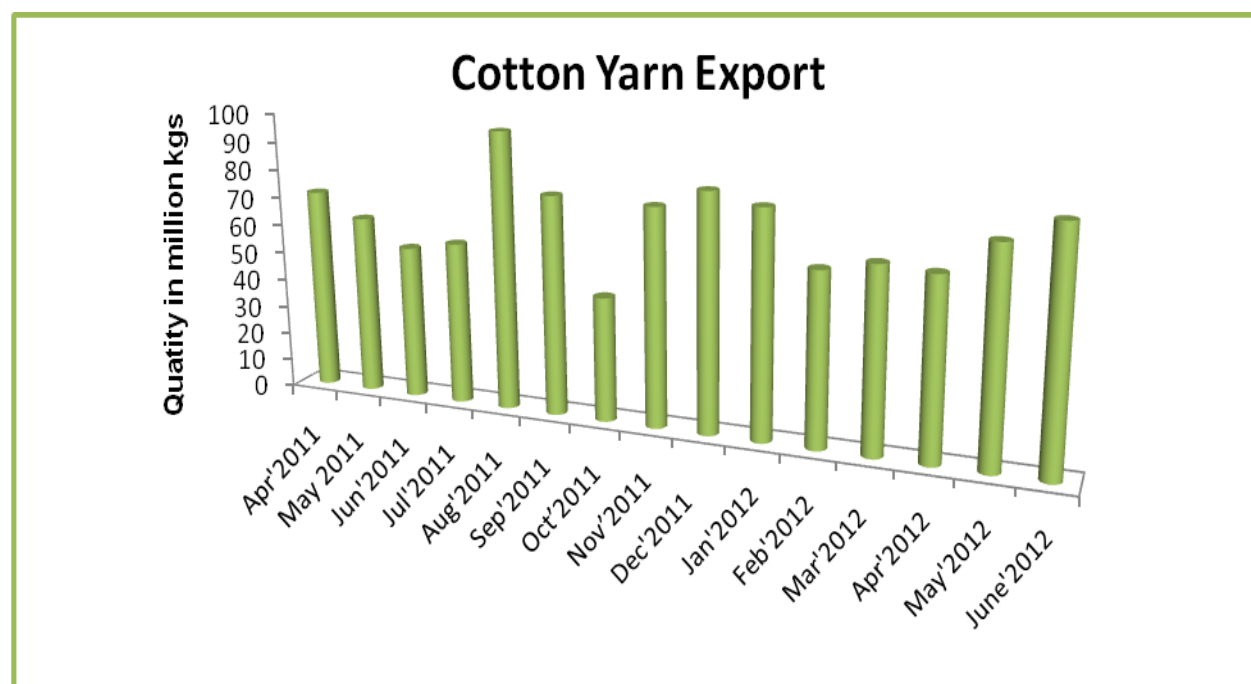
Yarn & Textile

As per textile ministry, the technical textile market in India has increased with a compounded annual growth rate of 11% to Rs 57,000 crore in 2011-12 from Rs 42,000 crore in 2007-08 and further it is likely to touch Rs. 1.58 lakh crore by 2016-17.

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.

In a recently released report of DGFT (Directorate General of Foreign Trade) cotton yarn export registrations have increased sharply by 10.69% to 82.41 million kgs in June'2012 as compared to 74.45 million kgs of May'12 followed by good demand from Yarn makers and textiles millers.

Below table shows the Cotton Yarn export registrations since April 2011 to June 2012:-



Source: DGFT

Raw cotton-Import & 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. Since May, Indian exports have remained almost stagnant. During October-May, 11 million bales were exported. However, since then, only one million bales were exported.

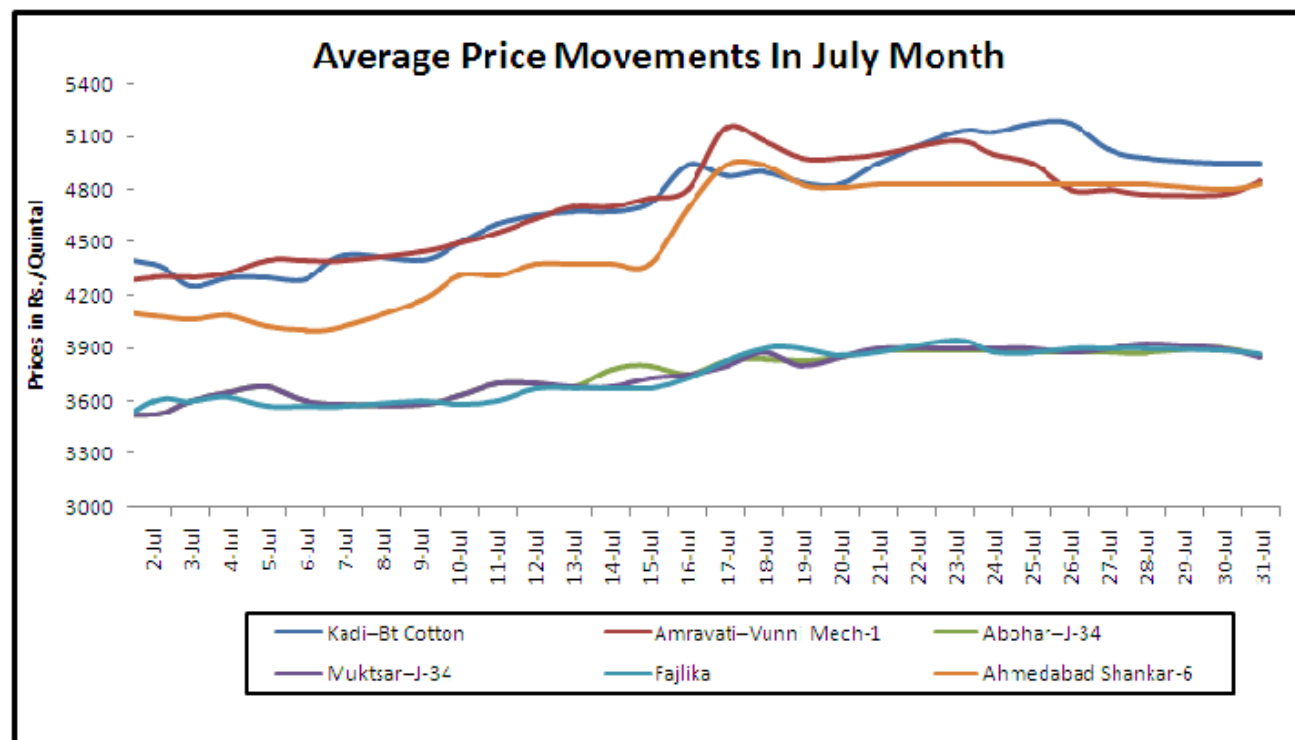
According to the Confederation of Indian Textile Industry, so far, 500,000 bales have been imported and another 100,000 bales are expected to come in from Africa by the end of September.

This season, cotton imports are expected to cross two million bales higher than previous year i. e 700,000 bales of cotton. Landed cost of imported cotton is Rs 35,000 a candy (a candy = 356 kg) of average quality, while the benchmark local variety, Shankar 6, is quoted at Rs 37,000 a candy.

Cotton Price Performance during the June Month 2012

Average cotton prices went up in all the cotton spot markets on back of lower arrivals against higher demand during July' 2012. Prices mainly started its uptrend from 6 to 7 July as demand increased in local markets.

Below Chart reflects July month average price movements of various markets:-



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		31-07-12	30-06-12	
23300Cotton	Kadi-Bt Cotton#	4900-5000	4250-4500	11%
	Amravati-Vunni Mech-1#	4850	4250	14%
	Ahmedabad-Shankar-6#	4750-4900	3875-4375	12%
	Abohar-J-34*	3850	3540	9%
	Muktsar-J-34*	3850	3540	9%
	Fajlika#	3870	3325	16%

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Month 31/07/12	Previous Month 30/06/12	
Kadi -Bt Cotton	866	1295	-33%
Amravati -Vunni Mech-1	26200	59500	-56%
Ahmedabad - Shankar-6	233000	318000	-27%
Abohar	1120	2770	-60%
Muktsar	-	160	-
Fajlika	-	4000	-
Khandwa		1070	-

Khandwa, Kadi, Fajlika-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmadabad, Abohar and Muktsar-Bales

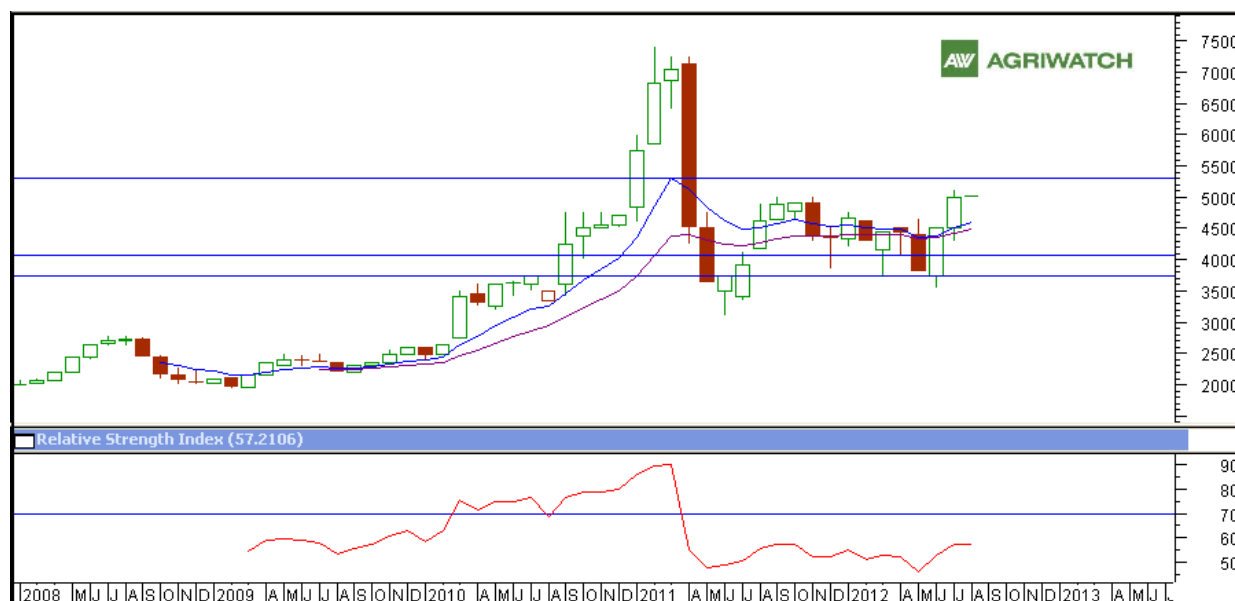
Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength / GPT	Rs. Per Candy (31/07/2012)	Rs. Per Candy (30/06/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	42600	38900	10%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43700	40200	9%
J-34(202)	26mm	3.5 - 4.9	23	34700	32700	6%
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	36300	33500	8%
Shankar-6(105)	29mm	3.5 - 4.9	28	36800	34300	7%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39300	36100	9%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	N.Q.	37500	-
DCH-32(107)	34mm	3.0 - 3.8	33	54000	47200	14%

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bullish momentum in upcoming month on back of rising spinners demand against lower stocks. However, cheaper international prices against domestic cotton prices of cotton may influence spinners' mills to import more quantity of cotton from foreign markets which may cap cotton prices upper level.

Technical Analysis of Kapas Prices at Kadi Market



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 5303 breaching it would test the level of 5424.4.

Trading Strategy: 4059.9 to 5314 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

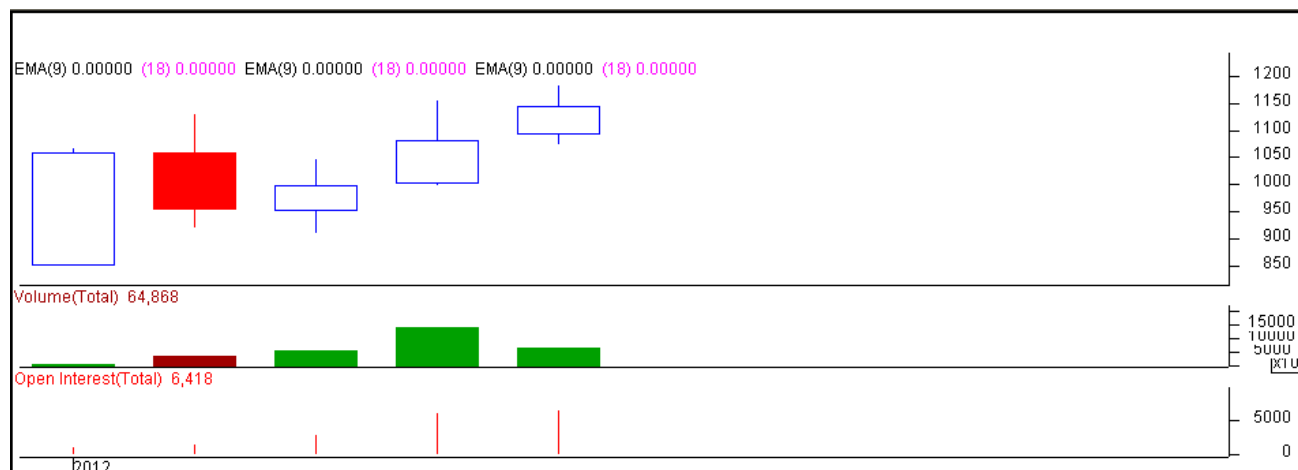
Buy at the current price level near to Rs. 5000.

Expected Price range of Cotton Prices for next month

Support 2	Support 1	Resistance 1	Resistance 2
3751.4	4059.6	5490	5666

Prices-Rs/quintal

Technical Analysis of Kapas Futures April 2013 contract at NCDEX



Prices-Rs/20kg

- April contract in NCDEX closed up due to buying interest.
- Rising open interest & prices depicts market under long build up phase.
- Immediate resistance could be seen at 1225 crossing such level price would test second resistance level at 1250.

Our short term outlook on the contract is bullish. We advise to go for long positions price at current price level.

Strategy: We can see range bound trading in between 1176 to 1225. in upcmoing month.

Support 2	Support 1	Resistance 1	Resistance 2
1056	1076	1225	1250

International Markets

The United States

ICE futures are advancing on worries that sweltering weather across the US could damage crops.

US Spot market rate for Color 41, Leaf 4, and Staple 34

	Fri	Mon	Tue	Wed	Thu
Market	27-Jul	30-Jul	31-Jul	1-Aug	2-Aug
SE	68.23	68.12	68.08	67.56	67.94
ND	67.48	67.37	67.33	66.81	67.19
SD	67.48	67.37	67.33	66.81	67.19
ETX	63.75	64.00	64.50	64.00	64.25
WTX	63.75	64.00	64.50	64.00	64.25
DSW	65.98	65.87	65.83	65.31	65.69
SJV	66.73	66.62	66.58	66.06	66.44
7-Mkt Avg	66.20	66.19	66.31	65.79	66.14

Source: USDA

Others:-

- The Cotlook “A” Index averaged \$1.00 per pound in 2011/12, down by 39% from its record of the previous season. Exceptionally high cotton imports by China (5.2 million tons) triggered by domestic policies were the main factor preventing a more pronounced fall in international prices.
- As per International Cotton Advisory Committee, World Cotton prices declined in 2011-12 on back of increase in global cotton stocks and declining mill use.
- World cotton production is forecast down by 9% to 24.7 million tons in 2012/13. Global cotton mill use is projected to rise only slightly to 23.2 million tons, as the rate of global economic growth is expected to remain slow and because the high domestic cotton support price in China is encouraging mills there to shift toward alternative fibers.
- In 2012/13, the resulting excess supply of 1.6 million tons will cause global stocks to rise by 11% to 15.2 million tons. In contrast with 2011/12, stocks could accumulate at a faster rate outside of China. However, the Chinese government announced a slightly higher minimum support price for 2012/13 and is expected to buy a large portion of the new cotton crop. This suggests that the size of the Chinese national cotton reserve may continue to increase, even if the government rotates some of its old stocks during the season.
- As per the market source, Pakistan’s cotton production is likely to decline by 15% or around 2.2 million bales in 2012/13 after major reduction in cotton area due to water shortage and low cotton prices.
- China may reduce its cotton import almost half to 2.7 million tons in 2012/13 against a record import i.e. 5.1 million tons in 2011/12.

Technical analysis of ICE Futures (July contract)



Oct Contract of ICE futures closed on higher side supported by buyer's activities. However, below 9 and 14 Days EMAs signify further down momentum. On the other hand, falling open Interest & rising depict market under short covering phase. Prices ranged between 68.42 to 72.7 during the month. RSI is also moving up however in oversold region hints a recovery in the market. Immediate resistance level is at 77.61 breaching this may touch 81.58 during upcoming days.

Recommendation: - Buy on dips towards 70 price level and book profit towards resistance level.

Support 2	Support 1	Resistance 1	Resistance 2
63.90	65	77.61	81.58

All in USc

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