

**Highlights of the Week**

- Overall steady to firm tone featured in cotton prices during this week supported by strong domestic spinners' demand, however slow buying activity of exporters may restrict one sided gain.
- Government recently release 2nd advance estimate of cotton production. Production of cotton is estimated at 34.09 million bales of 170 kg. Bales.
- Maharashtra one of the major cotton growing state reported lower yield at 286 per kgs/ Hac.
- As on date 8th Feb 2012, total arrivals in India has registered at 119.5 lakh bales down by 19.53% from previous year arrivals i.e. 148.51 lakh bales.

**Current Market Dynamics**

Range bound trading happened over the week. Robust millers demand supported cotton prices to gain. However slow exporters movements are seen in the market. Rising rupees value restricted exporters buying activities which directly affected and restricted uptrend of cotton prices. In view of cotton arrivals, farmers have started to release their fresh crop in the market at the prevailing cotton price. However, farmers and traders are remaining in view of firmness in the market.

Government recently release 2<sup>nd</sup> advance estimate of cotton production. Production of cotton is estimated at 34.09 million bales (of 170 kg. bales). Higher cotton production estimates ensures better supply during current marketing year. However, growers may not be interested to sell cotton at subdued price levels negating any major price decline.

The cotton advisory board expects that mill consumption may rise and expected to touch 240 lakh bales this year against the earlier estimate of 230 lakh bales. In concern of total consumption of India is estimated slightly down by 2.62% to 260 lakh bales from the previous year domestic consumption at 267 lakh bales. CAB said mills had reported a renewed demand for cotton.

**Cotton Arrivals State-wise**

The pace of arrivals is decreasing if we compare from arrivals in the corresponding period of last year (2011). As on date 8th Feb 2012, total arrivals in India has registered at 119.5 lakh bales down by 19.53% from previous year arrivals i.e. 148.51 lakh bales. However, the pace of daily arrivals are marginally up and reporting in the range of 2, 20,000 to 2, 25,000 lakh bales compared to last year arrivals i.e. 2, 00,000 to 2, 10,000 lakh bales as on same period of time as farmers have started selling fresh crop on higher realization being received at current level due to increase price of cotton.

States	Arrivals as on 08-01-12	Arrivals as on 08-01-11	% Change
Gujarat	38.74	49.13	-21.15
Maharashtra	20.82	35.32	-41.05
Andhra Pradesh	19	23.56	-19.35
Punjab	8.98	11.1	-19.10
Haryana	8.53	8.08	5.57
<b>All Over India</b>	<b>119.5</b>	<b>148.51</b>	<b>-19.53</b>

Source: The cotton advisory board

### Export and Import Scenario

Exporters' activities are slowing down due to an appreciation in rupees however renewed Chinese demand may encourage exporters for further buying. However, the rise in consumption, at a time when the total output is expected to decline due to crop loss, signals that cotton prices would remain firm. The estimate for export has also been raised to 8.4 million bales, from eight million bales earlier.

### Fundamental Cotton Price Outlook for Coming Week

The cotton prices expected to trade continue in range bound in upcoming week. As of now, arrivals pace is increasing in the market, which may restrict cotton price to go up. However, strong millers demand may support market price and help to sustain market towards firmness. However, higher domestic consumption and anticipation of higher export during 2012 might keep medium to long term fundamentals on encouraging note.

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



Candlestick pattern reflects bearish trend in the market however buyers tried hard to pull cotton price up during this week. We can expect that price may trade in between range 4500 to 4900. RSI is marginally moving down in neutral region hints a sideways momentum in medium term. However, 9 and 18- day EMAs closed up and hints bullish trend in the market. Immediate resistance can be seen at around 4445 level breaching above the same would take prices towards 5095 level.

**Strategy:** Buy at the price level 4600-4650.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
4315	4445	4835	5095

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	4500-4700	Steady to weak

Prices-Rs/quintal Kadi prices- Bt quality

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 08/02/12	Week Ago 28/01/12
Cotton	Kadi-Bt Cotton#	Unch	4600	4600
	Amravati-Vunni Mech-1#	-2	4100	4200
	Ahmedabad-Shankar-6#	1	4500	4450
	Abohar-J-34*	2	3840	3760
	Muktsar-J-34*	2	3840	3760

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

**Cotton Cumulative Arrivals in Key Centers**

Centre	Arrivals		% Change
	Week Ending 08/02/12	Week Ending 28/01/12	
Kadi -Bt Cotton	1675	2110	-21
Amravati -Vunni Mech-1	30000	27000	11
Ahmedabad - Shankar-6	360000	305000	18
Abohar	3600	4100	-12
Muktsar	1450	1950	-26

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**

Candlestick pattern shows buyers interest in the market. However, Falling open interest and rising prices hints that short sellers are covering their positions in the market. We can expect that price may trade in between range 4500 to 4700 Rs. RSI is moving up in neutral region and very close to overbought region hints towards possible correction in the market. However, above 9 and 18- days EMAs closed up and hints bullish trend in the market. Immediate resistance can be seen at around 956 level breaching above the same would take prices towards 985 level.

**Strategy:** Buy on dips at the price level range 890-905 or towards the mentioned resistance levels.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
835	859	959	985

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	860-950	Steady to Firm

## INTERNATIONAL MARKET

Cotton prices slumped amid depreciation in dollars in the current scenario. However Chinese buying is expected during the week as well before the Chinese Lunar Year to cover most of their requirements for Feb. This is expected to lend underlying support to the cotton prices at global front.

As per a survey conducted by Chinese National Cotton Market Monitoring System (NCMMS) cotton area for 2012 would decline significantly. The agency conducted a survey to know the planting intentions. Survey results show that planting area to decline by 8.2% compared to previous year. However, actual Chinese cotton planting acreage would be clear after March and any major decline in area may lead to subsequent lower Chinese production.

The International Cotton Advisory Committee projected cotton mill use to 23.73 down by 3% in 2011/12 from previous year (2010/11) to 24.45 million tonnes in front of higher production at 26.78 million tonnes in 2011/12. Resultantly, cotton stocks will increase to 12.3 million tonnes in 2011/12 as revealed by ICAC. However, increasing export demand may support global cotton prices. ICAC has given export figure to 7.68 million tonnes in 2011/12 and further projected at 8.24 million tonnes in 2012/13.

## ICE Futures (March 2012 Contract) Technical Analysis



Chart depicts continue bearish trend in the market. However, above 9 day EMA and below 18-day EMAs is indicating market towards down trend in the long run. The RSI hints for steady to firm trend as RSI moving upward from the last week level. Immediate resistance can be seen at around 96.58 level breaching above the same would take prices towards 97.37 level. A weekly closed below 91 can change the weekly trend of the market.

Support 2	Support 1	Resistance 1	Resistance 2
91.00	92.04	96.58	97.37

All in USc/lb

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