

**Highlights of the Week**

- Overall weak tone featured in cotton prices during this week due to lackluster buying interests both in domestic and overseas markets.
- Yarn export is down by 4.65% at 79.14 million kgs during the month of January'12 against 83 million kgs in December '11.
- Maharashtra, one of the major cotton growing state, reported lower yield at 286 per kgs/ Ha.
- As on date 12th Feb 2012, total arrival in India registered at 197.69 lakh bales lower compared to 213.53 lakh bales during the corresponding period 2011.

**Current Market Dynamics**

The cotton prices dropped during the week on back of reducing demand of domestic millers and exporters. Millers have already procured cotton stocks for the medium term. However textile demand is very slow and resultantly cotton price remains under pressure. In the current scenario, there is little possibility of increase in trading activity. Mean while, producers are not showing interest to sell off and prefer waiting for better prices. We expect market to remain bearish in the upcoming week.

The Government is not planning to impose any restrictions on cotton export and continues allowing cotton export under Open General License, though the Cotton Advisory Board has cut the forecast of cotton production 2011/12 down by 11 lakh bales to 345 lakh bales from its previous estimate 356 lakh bales given in last November'11.

The Cotton Advisory Board expects that mill consumption will rise and touch 240 lakh bales this year against the earlier estimate of 230 lakh bales. 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.

## Export and Import Scenario

Exporters' activities are slowing down due to sluggish demand. Exporters added that there are no aggressive buyers in the overseas market currently. However, annual estimate for export of the current season has been raised to 8.4 million bales, from eight million bales from earlier estimated by CAB. Indian Cotton exports increased by 22% to 84 lakh bales in 2011/ 2012 against last year export to 68.8. lakh bales which may hold cotton prices from major fall.

Chinese buying is likely to pick up which will strongly influence on returns of farmers and will curb on any major fall in cotton prices.

## Yarn Export

Export of Yarn tumbled during the end of January month due to slowing overseas demand. The Directorate General of Foreign Trade revealed yarn export down 4.65% by to 79.14 million kgs during the month January'12 against December'11 month yarn export recorded 83 million kgs as producers are holding onto stocks anticipating better returns.

## Crop condition and Cotton Arrivals State-wise

The pace of arrivals is decreasing as the following table shows. As on date 12th Feb 2012, total arrivals in India have been registered at 197.69 lakh bales down by 7.42% from previous year arrivals i.e. 213.53 lakh bales as farmers are unwilling to offload their crop at current prices. In Maharashtra, arrivals are slow as a lot of the crop got damaged and farmers expect prices to gain further. Even, in Punjab, farmers are not interested to release stocks at these prices despite better production prospects. Almost 90% harvesting is over in Gujarat as of now. It is believed that almost 50% stocks are still available with local farmers.

The following table shows the comparative arrivals status as on 12/02/12:-

States			%change of Arrivals
	Arrivals* As on 12-02-2012	Arrivals As on 12-02-2011	
Gujarat	61.63	68.6	-10.16
Maharashtra	38.77	54.02	-28.23
Andhra Pradesh	33.95	33.71	0.71
Punjab	11.6	14.49	-19.94
Haryana	12.58	11.3	11.33
Madhya Pradesh	12.34	12.18	1.31
Rajasthan	10.59	8.29	27.74
Karnataka	7	5.89	18.85
<b>Total In India</b>	<b>197.69</b>	<b>213.53</b>	<b>-7.42</b>

Source: The cotton Advisory Board, Quantity in lakh bales

### Fundamental Cotton Price Outlook for Coming Week

The cotton prices are expected to trade range bound with weak bias in upcoming week as millers and exporters are slowing down their buying and it is likely to continue even in the next week. However, anticipation of higher export during 2012 might support market in medium to long term.

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



Candlestick pattern reflects a continued bearish trend in the market inspite of sellers trying hard to pull cotton prices up during this week. We can expect that price would trade in the range of 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 long run. Immediate resistance can be seen at around 4445 level breaching above the same would take prices towards 5095 level.

**Strategy:** Sell at the price level 4650-4700 and book profit at the mentioned support level.

### 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	4525-4700	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 11/02/12	Previous Week 04/02/12
<b>Cotton</b>	Kadi-Bt Cotton#	<b>Unch</b>	4600	4600
	Amravati-Vunni Mech-1#	<b>-2</b>	4100	4200
	Ahmedabad-Shankar-6#	<b>1</b>	4500	4450
	Abohar-J-34*	<b>2</b>	3840	3760
	Muktsar-J-34*	<b>2</b>	3840	3760

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

**Cotton Cumulative Arrivals in Key Centers**

Centre	Arrivals		% Change
	Week Ending 11/02/12	Week Ending 04/02/12	
<b>Kadi -Bt Cotton</b>	1675	1675	<b>-21</b>
<b>Amravati -Vunni Mech-1</b>	30000	30000	<b>11</b>
<b>Ahmedabad - Shankar-6</b>	360000	360000	<b>18</b>
<b>Abohar</b>	3600	3600	<b>-12</b>
<b>Muktsar</b>	1450	1450	<b>-26</b>

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

**Technical Analysis of Cotton Futures April 2012 contract at NCDEX**

**Prices-Rs/20kg**

Candlestick pattern shows sellers interest in the market. Rising open interest and falling prices reflecting market under short build phase. We can expect that price to trade in the range of 850-920. RSI is moving down in neutral region indicating bearish trend in short term. However, marginal above 9 and 18- days EMAs hints bullish trend in the long run. Immediate support can be seen at around 842 level breaching above the same would take prices towards 814 level.

**Strategy:** Sell on rise at the price level in the range of 895-900 or towards at the mentioned resistance levels.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
814	842	925	945

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	850-920	Steady to Weak

## INTERNATIONAL MARKET

The weekly average price of ICE futures is down on account of lackluster trading activities. Also , supplies are moderate as producers are not interested to sell their produce at the current price. China's imports are down by 59% in January month due to holiday season which pulled down the yearly imports of China by 17% to 325,500 tonnes from the last year record. Therefore, the ICE March settlement prices ended the week at 91.52 cents (as on 13<sup>th</sup> Feb 2012) compared to 93.62 cents of previous week end (as on 8<sup>th</sup> Feb 2012).

The world cotton estimate for supplies in 2011/12 is reported high on account of higher beginning stocks and production estimate. World beginning stocks stood at 1.6 million bales high from the last year. World ending stocks increased by adding 14 million bales to 60.8 million bales against lower domestic consumption estimated at 109.7 million bales from 114.6 million bales in 2010/11. During the current season, World production estimate is forecasted higher by 5.5% to 123 million bales against previous year record to 116.46 million bales including higher production estimates in Pakistan and India against lower consumption in Thailand and US and others in the current season 2011/12. On the other hand, US production estimate stood down by 13.4% to 15.67 million bales compared to 18.1 million bales of last year. Higher production estimate and lower domestic use may cause to fall worlds cotton price further. However, export is rising which may support cotton price from the one sided fall.

The following table shows the world supply and demand status of 2011/12 Vs 2010/2011:-

World Supply & Demand 2010/11 & 2011/12						
Year	2010/11 (Estimated)	2011/12 (Projected)		2010/11 (Estimated)	2011/12 (Projected)	
Region	World		%Change	United States		%Change
Beginning Stocks	45.29	46.99	<b>3.75</b>	2.95	2.6	<b>-11.86</b>
Production	116.46	123.34	<b>5.91</b>	18.1	15.67	<b>-13.43</b>
Import	35.69	37.42	<b>4.85</b>	0.01	0.01	<b>Unch</b>
Domestic Use	114.64	109.71	<b>-4.30</b>	3.9	3.5	<b>-10.26</b>
Export	35.75	37.42	<b>4.67</b>	14.38	11	<b>-23.50</b>
Ending Stocks	46.99	60.77	<b>3.75</b>	2.6	3.8	<b>46.15</b>

Source: USDA & Units in million 480-Pound bales

## ICE Futures (March 2012 Contract) Technical Analysis

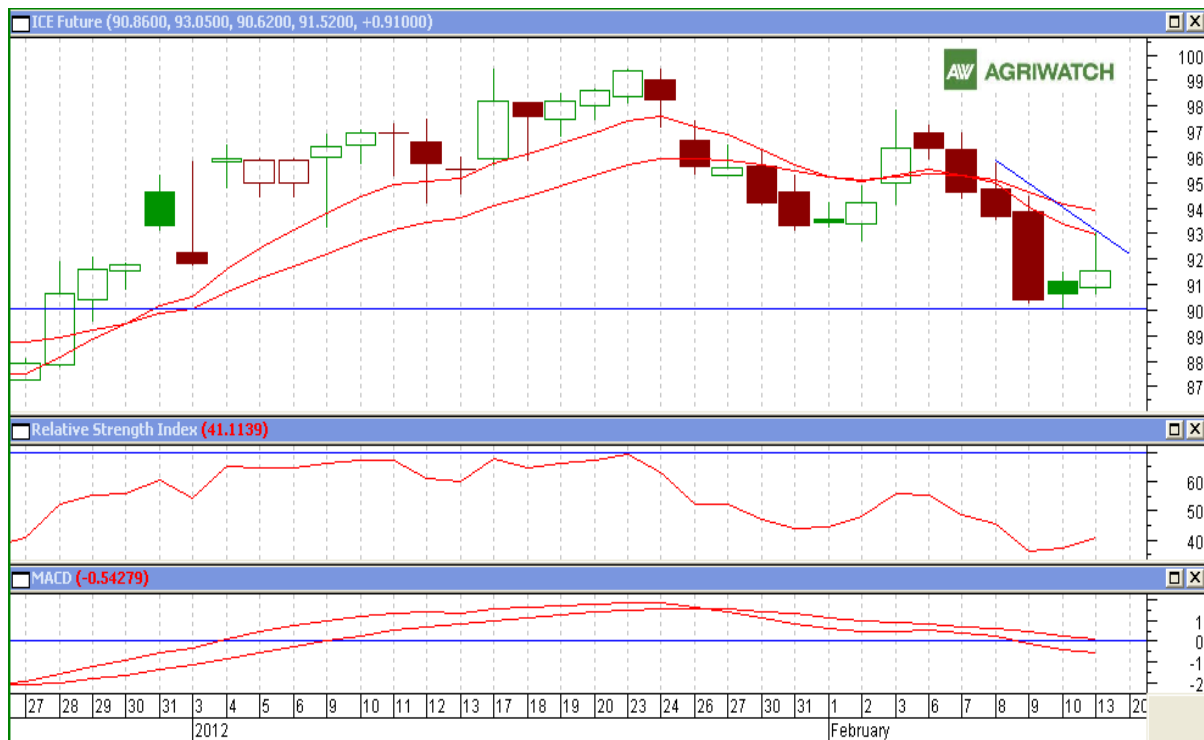


Chart depicts continue bearish trend in the market. However, above 9 day EMA and below 18-day EMAs is indicating market towards down trend in the long run. The RSI is moving down in neutral region hints for steady to weak trend during upcoming trading sessions. Immediate resistance could be seen at around 94.2 level breaching above the same would take prices towards 95.2 level. A weekly closed below 87.5 can change the weekly trend of the market. The price is expected to trade in range bound 88 to 93 cents.

Support 2	Support 1	Resistance 1	Resistance 2
87.9	89.3	94.2	95.2

All in US¢/lb

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