

Highlights of the Week

- Mostly weak sentiments featured in the key cash markets of cotton during this week due to sluggish buying activities of domestic users and exporters as they are expecting a correction in the cotton spot market.
- The Cotton Board of Advisory has estimated India export at 84 lakh bales as on 24th Jan 2011/12 higher by 23.52% from the previous year export registered at 68 lakh bales, which may help cotton price to firm up in the long run.
- As on 20th February, 2012, total arrivals in India stood at 21.33 million bales compared to 22.46 million bales during the corresponding period 2011 (Oct-Feb).
- India drags Turkey and Egypt to WTO for protective duties on cotton import.

Current Market Dynamics

Lack luster trade could be seen as local traders seem to be waiting for correction in the spot market on account of recent fall in cotton prices. The cotton prices dropped during the week on back of reducing demand of domestic millers and exporters. Millers have already procured cotton stocks for medium term. However textile demand is very slow and resultantly cotton price remains under pressure. In the current scenario, there is thin possibility of emerging trading activity as there is lack of buyers and sellers' who assumes bearish outlook in the weeks ahead. Weekly arrivals in all the key markets have been reported up compared to the previous week as small farmers have started to release their holding stocks due to facing poor economic condition. Meanwhile, solvent producers are not showing interest to sell off and waiting for better price. Even, we expect market to move upwards in upcoming week.

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. 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.

Export and Import Scenario

In this backdrop, if India is able to achieve the CAB's revised estimate of 8.4 million bales in the current year, it will still be a commendable performance on the face of growing competition and uncertain demand across the globe.

According to the Export Promotion Council for Handicrafts (EPCH) Indian handicrafts exports are rising at an annual rate of 24 percent, the country's handicraft exports reached US\$ 178 million in January 2012.

Usually, around 70 percent of India's handicraft exports are destined towards the EU and the US.

However, the demand from European markets was less than normal owing to slow economic growth in those countries. On the positive side, export demand is likely to pick up in this quarter, as exports usually pick up during January-March quarter helping the country to achieve the yearly targets. Exporters' activities are slowing down due to sluggish demand. Exporters added that there are no aggressive buyers in overseas market in recent days.

Fundamental Cotton Price Outlook for Coming Week

The cotton prices are expected to trade range bound with firm bias in upcoming week as millers and exporters are expected to start their buying activities. Even, anticipation of higher export during 2012 might support market in medium to long term.

Cotton Spot Prices (Kadi Market) Technical Analysis



Candlestick pattern reflects continue bearish trend in the market. We can expect that price may trade in the range of 4280 to 4600. RSI is also moving down in neutral region hints a sideways momentum in medium term. 9 and 18- day EMAs closed down and hints bearish trend in short run. Immediate resistance can be seen at around 4625 level breaching above the same would take prices towards 4719 level.

Strategy: Buy at the price level 4280 or towards support level book profit at the mentioned resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
4100	4204	4625	4719

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	4280-4600	Steady to firm

Prices-Rs/quintal Kadi prices- Bt quality

Cotton Prices at Key Spot Markets:

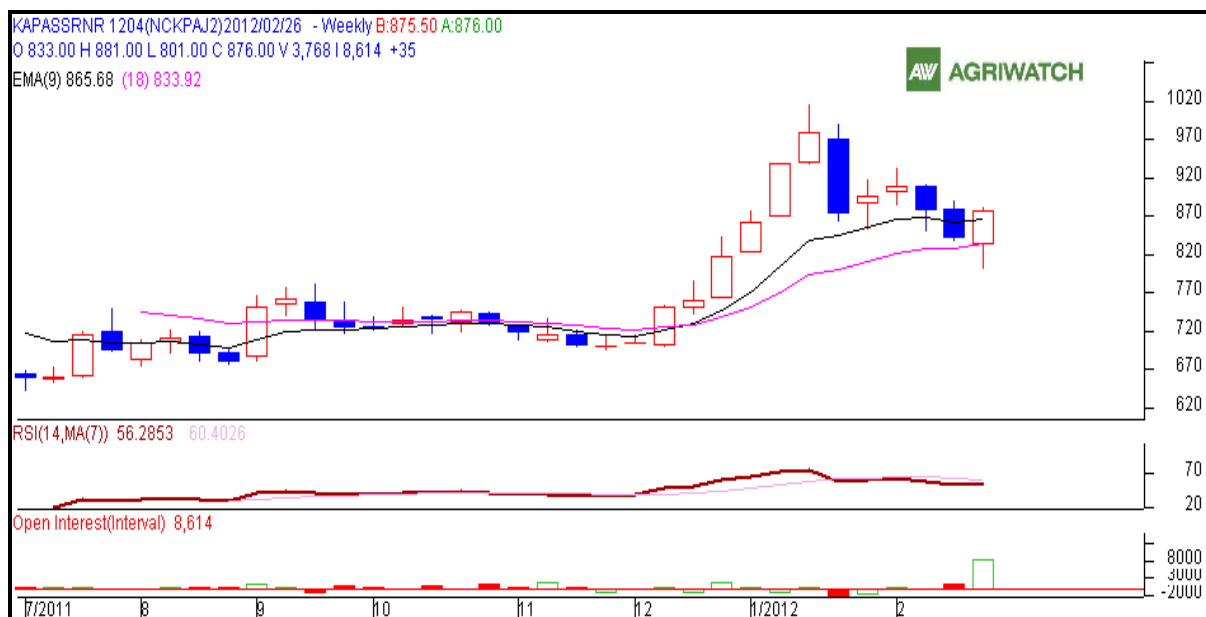
Commodity	Centre & Variety	% Change Over Previous Week	Current Week 25/02/12	Previous Week 18/02/12
Cotton	Kadi-Bt Cotton#	-2%	3950-4450	4250-4550
	Amravati-Vunni Mech-1#	-4%	3850	4000
	Ahmedabad-Shankar-6#	-6%	4100-4150	4250-4400
	Abohar-J-34*	-6%	3525	3745
	Muktsar-J-34*	-6%	3525	3745

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Arrivals		% Change
	Week Ending 25/02/12	Week Ending 18/02/12	
Kadi -Bt Cotton	2050	1250	64%
Amravati -Vunni Mech-1	24000	32000	-25%
Ahmedabad - Shankar-6	27000	34500	-22%
Abohar	2600	4750	-45%
Muktsar	1550	1900	-18%

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 continue buyers' interest in the market. Rising open interest and prices reflecting market under long build up phase. We can expect that price may trade in the range of 840-895. RSI is moving up in neutral region indicating bullish 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 833 level breaching above the same would take prices towards 805 level.

Strategy: Buy on dips at the price level in the range of 840-850 or towards at the mentioned support levels and book profit at resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
805	833	893	921

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	840-895	Steady to firm

INTERNATIONAL MARKET

The weekly average price of ICE future is down on account of lackluster trading activities. Even, supplies are also moderate as producers are not interested to sell their produce at the current price. Besides, 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 13th Feb 2012) compared to 93.62 cents of previous week end (as on 8th Feb 2012).

USDA recently pegged upland cotton area for 2012-12 planting season to 13 million acres, up by 1 million acres from previous estimates. However USDA projection is lower compared to National Cotton Council's estimates of 13.6 million acres. National Council forecast includes mid-land and low-land cotton as well. Higher acreage estimates for the coming planting season shall ensure better supply of cotton from US and should add to the global supply

especially when the supply is more this year compared to demand. This would keep ICE futures under pressure for short to medium term. Summing up the emerging situation globally, the upside is very limited and we expect strong selling pressing with every rise in global markets

ICE Futures (March 2012 Contract) Technical Analysis



Chart depicts buyer's interest in the market. The RSI is moving up in neutral region hints for steady to firm trend during upcoming trading sessions. Immediate resistance could be seen at around 91.28 level breaching above the same would take prices towards 92.45 level. A weekly closed below 87.00 can change the weekly trend of the market. The price is expected to trade in range bound 88 to 91cents.

Support 2	Support 1	Resistance 1	Resistance 2
87.00	87.80	91.28	92.45

All in USc/lb

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