

Highlights of the Week

- Overall dull trade activities featured in cotton spot market during this week. Lower millers demand and a ban on raw cotton export caused a fall in the prices.
- As on 4th March 2012, total arrivals in India stood at 233.76 lakh bales against 243.14 lakh bales in the corresponding period in 2011.
- India has recently lifted the ban on raw cotton exports partially after strong recommendation by ministries. However, the decision to allow only existing registrations or prior RCs before 4th March would restrict prices to gain much in absence of fresh RCs.
- CCI has decided to procure Kapas when prices touch minimum support price at Rs.3300 a quintal.

Current Market Dynamics

During this week, cotton traded down due to sluggish demand amid lower supplies in the market. Farmers slowed down their releasing stocks as they are not getting paid on time as millers are facing liquidity crunch. Meanwhile, the ban on exports by the government imposed on 5th March 2012 led to millers and exporters in key markets to strike which affected the cotton market adversely. Cotton prices came down unexpectedly and hurt farmers, traders and exporters. Subsequently, on 10th March 2012, government removed the ban on raw cotton partially, which should support cotton prices to some extent. We expect prices to recover some of their recent losses as domestic demand is likely to improve during upcoming week as millers require cotton to fulfill their regular commitment.

On other hand, CCI stated that they will move forward to procure Kapas when the price will touch MSP price Rs.3300 per quintal.

Crop conditions & Cotton Arrivals

The arrivals on daily basis is in the range of 1, 30,000 to 1,40,000 lakh bales which is lower than the 1,60,000 to 1,70,000 lakh bales corresponding period last year as farmers are releasing stocks slowly in the market on account of sluggish millers demand. As on date, total 30% to 40% stocks still remains in the hands of the farmers. Cumulative cotton arrivals have dropped down by 3.86% to 233.76 lakh bales against 243.14 lakh bales on a year-on-year basis. However, some of the key markets in Andhra Pradesh, Haryana, Rajasthan, Madhya Pradesh and Karnataka reported higher arrivals as shown in the table below.

Comparison of Arrivals 2011/12 Vs 2010/11

States	2011-12		2010-11		%change of Arrivals
	Production as per CAB 24/01/2012	Arrivals* As on 04-03-2012	Production as per CAB 24/01/2012	Arrivals As on 04-03-2011	
India	345.1	233.76	339.1	243.14	-3.86
Gujarat	117.2	74.78	106.2	79.58	-6.03
Maharashtra	74.75	48.98	87.75	63.46	-22.82
Andhra Pradesh	54.5	39.82	59.5	36.57	8.89
Haryana	20	15.09	17	12.56	20.14
Punjab	19.5	14.07	18.5	15.43	-8.81
Madhya Pradesh	17.7	14.45	17.7	13.33	8.40
Rajasthan	17.1	12.88	10.1	9.14	40.92
Karnataka	13.1	7.82	11.1	6.5	20.31

Source: CAB (Quantity in lakh bales)

Cotton sowing 2012 will start in April month and indications are that farmers intend to cover lower acreage due to the lower profit margin in the current year. Moreover, farmers are likely to switch towards other crop like Guar due to higher profit realization.

Export and Import Scenario

India has so far exported 95 lakh bales (1 bale = 170kg) against the original estimate of 84 lakh bales in 2012. The ban imposed by Indian government on raw cotton export was partially withdrawn on 10th March 2012 after a meeting with Agriculture and other ministries.. The government has allowed only those registrations which were signed up before imposing the ban i.e. 5th March 2012 and not those issued later. Secondly, DGFT would scrutinize and revalidate all RCs before shipping out. Total export contracts of about 120 lakh bales were signed before 5th March.

Below table shows monthly actual cotton export and registrations details:

Month	Export of Cotton	Registration of cotton exports
Oct-11	0.69	1.3
Nov-11	2	2.3
Dec-11	1.6	1.5
Jan-12	2.5	2.8
Feb-12	2.3	4.4

Source: Ministry of Commerce, Figures in million bales (1 bale=170 kgs)

Fundamental Cotton Price Outlook for Coming Week

Cotton Prices are expected to trade in range bound with slight firm tone due to slowly improving domestic millers demand. Now, exporters' movements have again started after removal the ban on raw cotton, however; fresh registrations are still not allowed to issue which may cap gains. The short term is likely to trade with range bound to firm.

Cotton Spot Prices (Kadi Market) Technical Analysis


- The formation in the technical chart indicates bearish trend in the market. However, prices are likely to increase in the short term in Kadi spot market during the next week.
- Divergence between prices and RSI could be seen indicating accumulation of cotton at these levels and stands indicative of possible price rise.
- Any near-term jump might face resistance towards the level of the simple moving averages (SMAs) and breakout above the moving averages could lead to a further run-up.

Strategy: Buy Kapas (Kadi Market) in the range of 3650-4000 or towards support level and book profit at resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3461	3606	4654	4880

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	3980-4600	Range bound to Firm

Prices-Rs/quintal Kadi prices- Bt quality

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 10/03/12	Previous Week 3/03/12
Cotton	Kadi-Bt Cotton#	-9%	3625-4000	3900-4400
	Amravati-Vunni Mech-1#	-3%	3650-3700	3800
	Ahmedabad-Shankar-6#	-	-	4150-4300
	Abohar-J-34*	-5%	3510	3700
	Muktsar-J-34*	-5%	3520	3700
	Fajlika#	-3%	3650-4250	3750-4360

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Arrivals		% Change
	Week Ending 10/03/12	Week Ending 03/03/12	
Kadi -Bt Cotton	800	1025	-22%
Amravati -Vunni Mech-1	18000	28000	-36%
Ahmedabad - Shankar-6	65000	205000	-68%
Abohar	1750	2000	-13%
Muktsar	800	950	-16%
Fajlika	4200	9400	-55%

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

Technical Analysis of Cotton Futures April 2012 contract at NCDEX


- April contract in NCDEX retraced from its weekly lows and got buying support towards the lower channel of the falling wedge. Prices responded positively after a technical break out towards upside however further confirmation is suggested before taking any fresh buying positions at the current level. .
- Cotton prices are likely to move between 820-855 and test its key immediate resistance of 857.7. Breaching the same might initiate a fresh bull run. However, failing the immediate resistance could lead prices lower towards support near 790.
- Divergence is seen between prices and RSI, indicating possibility of further rise in cotton prices in near term however would be highly affected on fundamentals.

Strategy: We can see range bound trading in between 820-855 during upcoming week.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
741	790	857.7	895.1

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	820-855	Rangebound to firm

INTERNATIONAL MARKETS

ICE futures of May contract declined due to lower demand. However, supplies were slightly improved after the announcement of ban imposed in India on raw cotton exports and the prices pulled up for a day. However, it is likely to trade volatile until Indian Government removes its ban completely where fresh issues could be registered further in hope of Chinese buying orders.

However, world's higher production estimate 2011/12 to 123.64 million (480-lb) bales will increase supplies in the market against 123.34 of last year 2011 output.

According to Reuters recent updates major Cotton growing countries like China, India, Pakistan, Brazil, Central Asia and Australia are expected to grow lower cotton crop in 2012-13. India is likely to plant 26.5 million bales down 2% from 2011-12 planting. Pakistan, Brazil and Australia are also expected to cut planting in 2012-13 by 4% to 10 million bales, 6% to 8.5 million bales, 6% to 4.7 million bales respectively compared to the year 2011-12.

ICE Futures (March 2012 Contract) Technical Analysis



- May contract of ICE futures moved down during the week amid low volumes. Prices are likely to face strong resistance towards 93.15
- Prices may find buying support near 88 which is likely to extend its sideways trade further.
- We expect cotton prices to stay in the range of 87.10 to 92.15 for short term.

Strategy: Buying towards support is desirable

Support 2	Support 1	Resistance 1	Resistance 2
86.50	87.00	93.15	94.25

All in USC/lb

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