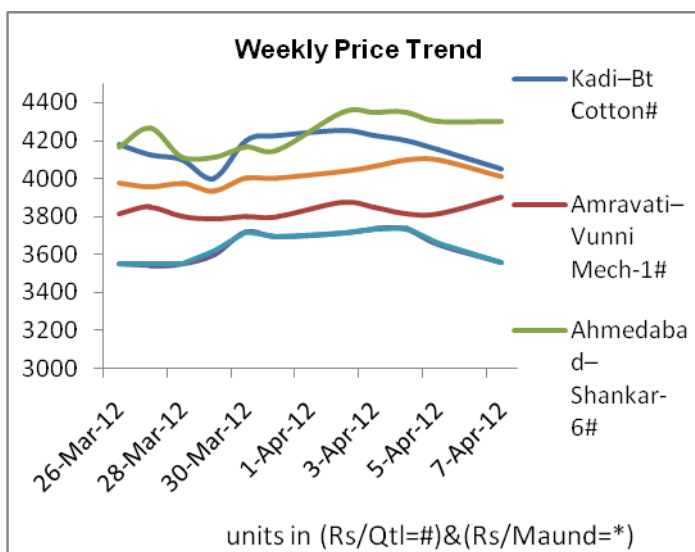


Highlights of the Week

- ❖ Mixed tone associated with Cotton spot market prices during the current week on back of average mills demand along with dull exporters demand.
- ❖ The pace of arrivals in India dropped around 8% to 26.92million bales of 170 kgs each in comparison to last year arrivals to 29.2 million bales during the corresponding period as per the Cotton Corporation of India.
- ❖ Indian Government has planned to build a cotton reserve at 2.5 million bales over the next two months to help meet the domestic textile millers' demand.
- ❖ After the review meeting (9th April'12) over export ban with ministers, the Government is unlikely to remove export ban on new registrations.
- ❖ ICAC forecasted China's total imports at 4.2 million tons during the current season 2011/12 after higher accumulation since last eight month by China.
- ❖ We expect down trend of the market during the upcoming week.

Domestic Market Fundamental

Mixed sentiments witnessed in cotton prices during the week ended 7th April 2012. However, average weekly prices were seen on the upper side vs. previous weekly average price supported by renewed textile miller's demand. On other hand, cotton prices of popular variety Shankar-6 have declined to Rs. 34200/candy (1 candy=356 kgs) by 7th of April from the price on 31st March'12 of 34600 per candy amid uncertainty in the cotton export status. However, CCI buying on higher price may prevent cotton price from any major fall.



The Government has asked CCI to buy cotton at market price to build up a reserve of 2.5 million bales (170 kgs per bale) to meet textiles millers' demand later in the year. Currently, millers are unable to buy cotton amid slowdown in product demand. CCI has bought around 11,000 bales of cotton at the price Rs. 4,400 per qtl mainly from Gujarat. CCI is likely to buy 1 million bales each month for the next two months. The cotton reserve will help to stabilize cotton prices and ensure supplies to mills in the future.

Later on, Government has directed CCI to purchase cotton around 15,000 bales from Gujarat per day. However, farmers in Saurashtra were getting less than Rs 900 a maund (1 maund= 37.32 kg) on their sales to CCI due to which farmers stopped sale to CCI centre on Friday (6th April'12).

Secondly, the Government has stepped forward to raise minimum remuneration for Kadi spinners to Rs. 3 per hank (1 hank= 768 meters of cotton yarn) from Rs.2 per hank with effect from April 1, 2012 which will help spinners to earn about Rs. 30 to 40 per day against current wage Rs. 20 to 30.

Cotton Arrivals

During the current season, per day arrivals were reported around 1, 35,000 bales. Total arrivals in India declined around 8% to 269.2 lakh bales compared to previous season 292.2 lakh bales as on 8th April 2011 causing lower arrivals pace in major growing states Gujarat, Maharashtra, Punjab and Tamil Nadu. This is mainly due to farmers' reluctance to release their crop at the prevailing market price despite higher availability.

Below table shows the comparison of Arrivals from the corresponding period last year:-

States	2011-12	2010-11	% Change
	Arrivals* As on 08-04-2012	Arrivals As on 08-04-2011	
India	269.2	292.27	-8
Gujarat	83.13	96.62	-14
Maharashtra	57.53	77.32	-26
Andhra Pradesh	46.66	42.88	9
Haryana	17.71	15.05	18
Punjab	16.8	17.26	-3
Madhya Pradesh	15.9	15.58	2
Rajasthan	15.06	10.1	49
Karnataka	9.43	7.72	22
Tamil Nadu	3.64	6.25	-42

Source: The Cotton Advisory Board, Units in Lakh bales

Crop condition

Cotton area is likely to shift to Chilli, Soybean and majorly in Guar crop due to comparatively attractive returns against cotton in the current season. In Maharashtra, sowing will start after the first monsoon rain. While, farmers in Punjab is likely to plant cotton by the end of April or 1st week of May. When we expect wheat harvesting and thrashing to be over.

Yarn Production and Demand

According to the ministry of textiles, total spun yarn production amounted at 3601 million kgs during April-11 to Jan-12 constituting a decrease by 8.6% to 3601 in comparison to last year corresponding period at 3941 million kgs.

Below table describe details of domestic yarn production:

Period	Man-made Fibre	Man-made filament Yarn	Cotton Yarn	Blended& 100%Non Cotton Yarn	Total Spun Yarn
(April –Jan12)(P)	1030	1214	2565	1036	3601
(April-Jan11)(P)	1063	1292	2933	1008	3941
% Change	-3.1	-6.0	-12.5	2.8	-8.6
Jan-12(P)	106	133	270	100	370
Jan-11(P)	116	132	297	110	407
%Change	-8.6	0.8	-9.1	-9.0	-9.1

Source- Ministry of Textiles (P)=Provisional, Figures in Million kg.

Export and Import Scenario

After a review meeting with ministers held on Monday (9th April 2012) regarding export ban, government has decided to continue the partial export ban possibly till July to support domestic mills. The government has restricted complete cotton export on 5th March'12 however allowed existing registrations signed on or before 4th March'12 within a week after political pressure. However, all registered issues are being revalidated and scrutinized by DGFT. As per a Government official, Directorate General of Foreign Trade (DGFT) has already approved around 2 million bales (1bale=170 kgs) of cotton export after its scrutiny process.

India has shipped out total 9.5 million bales of cotton between October'11 to March 4, 2012 according to the Government Data.

Fundamental Cotton Price Outlook for Coming Week

A major dip is anticipated given the continuance of the export ban as explained earlier. Exporters will not engage in buying activities due to the restriction of fresh issues to export. However, CCI buying on higher prices would be the only factor to support the prices. As, domestic millers' are facing tight liquidity due to higher prices inventory and poor performance of end products, they are unable to procure currently.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 07/04/12	Previous Week 31/03/12
Cotton	Kadi-Bt Cotton#	-2%	3750-4350	4000-4450
	Amravati-Vunni Mech-1#	5%	3800-4000	3800
	Ahmedabad-Shankar-6#	5%	4100-4500	4000-4300
	Abohar-J-34*	-4%	3550-3560	3680-3710
	Muktsar-J-34*	-4%	3560	3690-3700
	Fajlika#	-2%	3800-4220	3750-4320
	Khandwa#	5%	3600-4200	3400-4000

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 07/04/12	Previous Week 31/03/12	
Kadi -Bt Cotton	700	825	-15%
Amravati -Vunni Mech-1	21500	32500	-34%
Ahmedabad - Shankar-6	80000	90000	-11%
Abohar	5200	5200	0%
Muktsar	2500	2250	11%
Fajlika	12200	17000	-28%
Khandwa	5500	10100	-46%

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 (07/04/2012)	Rs. Per Candy (31/04/2012)	%Change
Bengal Deshi (RG)/ Assam Comilla	Below 22mm	5.0 - 7.0	15	33600	34800	-3.45
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	34600	35100	-1.42
J-34	25mm	3.5 - 4.9	23	30400	31600	-3.80
H-4/ MECH-1	28mm	3.5 - 4.9	25	32600	33400	-2.40
Shankar-6	29mm	3.5 - 4.9	26	34200	34600	-1.16
Bunny/ Brahma	31mm	3.5 - 4.9	27	35000	34300	2.04
DCH-32	35mm	2.8 - 3.6	31	45000	45500	-1.10

Cotton Spot Prices (Kadi Market) Technical Analysis



- The chart reveals filled Marubozzo candlestick pattern where prices closed on lower side despite opening higher side due to continue selling pressures in absence of buyers.
- RSI is down at 46.61 in neutral region in comparison to previous week at 48.94 indicating downtrend of the market in upcoming days.
- Any near-term fall might face support towards the level of 4335 breaching it would test the level of 4255.

Trading Strategy: 4335-4900 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
4255	4335.9	4900	5500

Prices-Rs/quintal Kadi prices- Bt quality

Technical Analysis of Cotton Futures April 2012 contract at NCDEX


- April contract in NCDEX declined as volume could not support to the prices. Rising open interest and falling prices indicate market is under short build up phase. Relatively, Fibonacci retracement level is at the level of 777.6 under 61.8% region hinting a bearish tone of the market if prices break stronger support level of 778.1. However, favorable fundamental news can change the direction of market.
- Immediate resistance could be seen at 870 crossing such level price would test second resistance level at 910.
- RSI is marginally down, indicating possible sideways to bearish momentum of cotton prices in near term.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
760	778	870	910

Expected Price range of Cotton Prices for next week

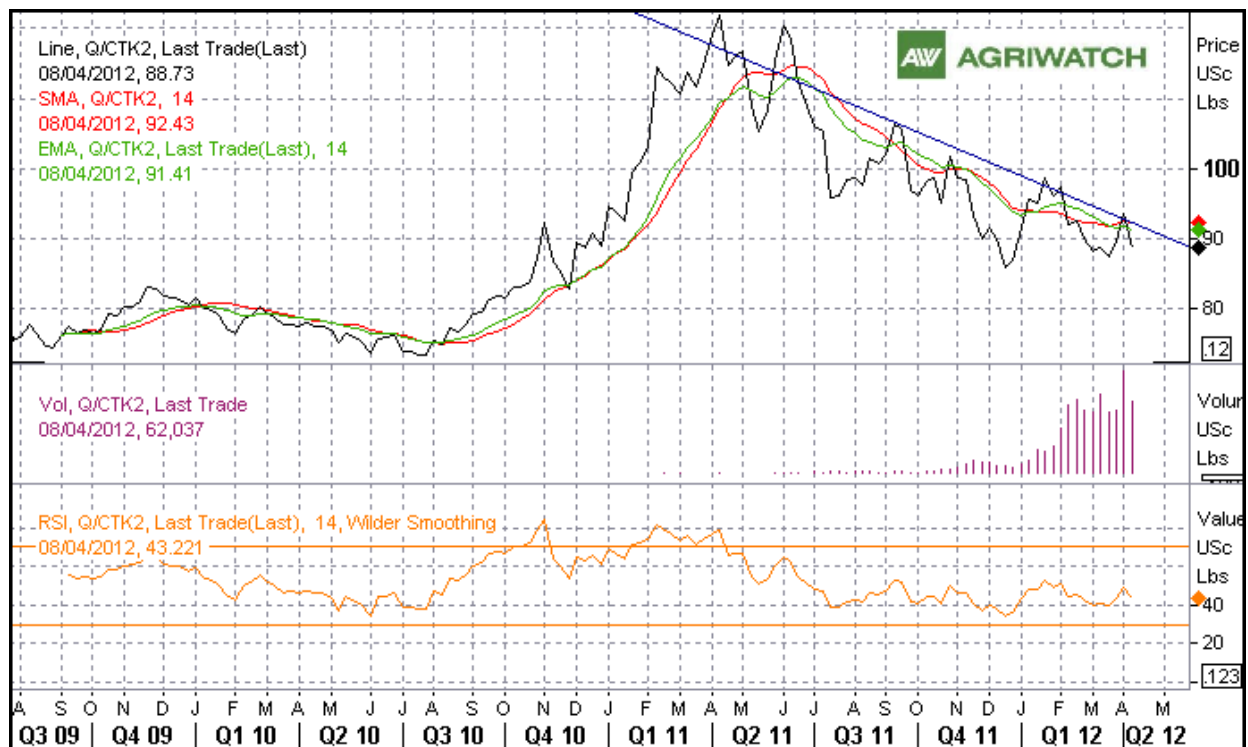
Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	778-870	Bearish

International Market**International Market**

Currently, ICE futures are ruling down at 88.54 cents against 93.54 cents last week on moderate supply and demand.

- **China Highlights:** - As per latest release of ICAC (International Cotton Advisory Committee), China bought over 3 million tons of domestic cotton and around 1 million tons from overseas markets in its national reserve during the first eight months of 2011/12. Now, the forecast stood up by 61% to 4.2 million tons from previous year 2010/11. On other hand, Cotlook A Index is quoting around \$ 1.00 per pound despite imposing ban on cotton export in India which was being applied on 5th March 2012.

- **US Highlights:** Taiwan requested for US underlying variety of cotton color 31, leaf 3 and staple 34 for nearby delivery with limited quantity. According to USDA, around 80 to 90% of cotton sowing has been completed in the area of Yuma and Arizona belonging to Desert Southwest states of U.S. where temperature were in mid to high 80s. While, in West Texas, field preparations and pre-watering is going on ahead of cotton sowing. According to the National Agriculture Statistics Services released report, Texas is likely to cover 10% lower cotton area to 6.8 million acres from the previous year.

ICE Futures (March 2012 Contract) Technical Analysis


Above chart reflects downtrend of the market as volumes declined this week. Trend line shows bearish fluctuation and further indication is likely to be same. However, the prices moved between 88.2 to 93.8. RSI is also moving down in the neutral region and signals possible bearish tone of the market in the next week. Other indicator, EMA is also coming down from 91.83 to 91.41 during this week indicating downtrend in upcoming days. Immediate resistance level could expect around 95.29 breaching this would take to the price level of 98.68.

Support 2	Support 1	Resistance 1	Resistance 2
85.09	86.79	95.29	98.68

All in USC/lb

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