

### Highlights of the Week

- ❖ The cotton spot prices remained in a mixed trend during the current week due to lack of clarity on exports and patchy in mills demand.
- ❖ The Cotton Advisory Board will schedule a meeting with textile ministry to review over raw cotton supply and demand situation on 18th April 2012.
- ❖ CCI has procured total 110,000 bales of cotton from Gujarat so far, starting from March 31, 2012.
- ❖ Total arrivals in India are registered down 6.18% to 27.93 million bales of 170 kgs each in comparison to last year arrivals of 29.77 million bales during the corresponding period as per the Cotton Corporation of India.
- ❖ According to WASDE report, ending stocks in U.S is estimated down to 3.40 million bales in April month as compare to March estimate of 3.90 million bales.
- ❖ We expect sideways to bullish phase of the market during the upcoming week.

### Domestic Market Fundamental

Mixed sentiments extended in cotton prices amid mixed flow of supply and demand during the week ended 14<sup>th</sup> April 2012. Millers demand comparatively improved in this week to fulfill their daily requirement. The pace of arrivals seemed in a mixed phase due to fluctuations in daily cotton demand.

Textile ministry had directed CCI to buy best quality of cotton at the rate of Rs.900 per maund (1 maund = 20 kgs). CCI has decided to buy 1 million bales of cotton mainly from Saurashtra area of Gujarat due to higher crop availability of good quality. According to cotton division and TUFs, farmers in Gujarat continue to hold around 2.5 million bales cotton as on date.

CCI has procured total 110,000 bales of cotton from Gujarat so far since March 31, 2012 of which 57,000 bales of cotton has been purchased from Rajkot and around 53,000 bales of cotton from Saurashtra.

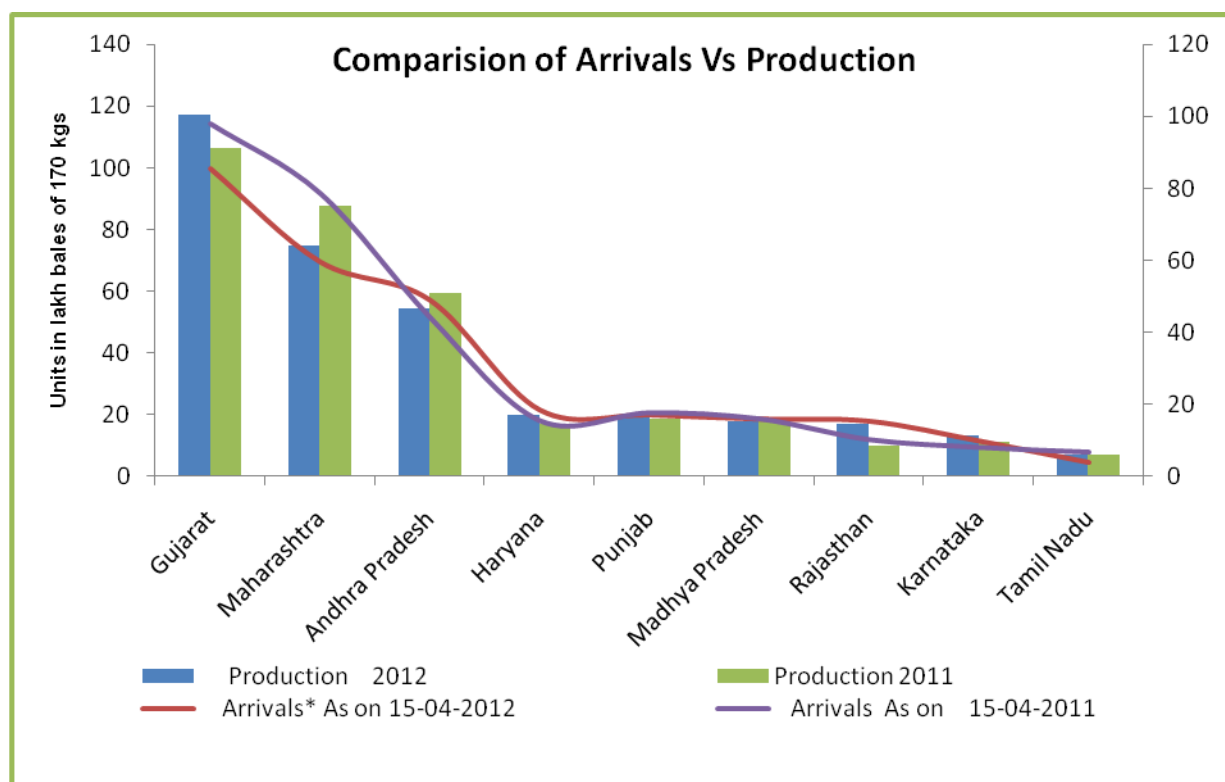
The State Government of Maharashtra has decided to withdraw the 5 percent purchase tax on cotton following protests by farmers, exporters and traders.

Government is likely to decide on opening up of fresh export registrations after assessing production of cotton. There is a review meeting between Cotton Advisory Board and Textile ministry on raw cotton's supply and demand situation on 18th April 2012.

### Cotton Arrivals

According to Cotton Corporation of India, cotton arrivals in India has reduced by 6.18% to 279.36 so far despite higher production estimates of CAB (The cotton advisory board) i.e. 345 lakh bales in 2011/12 against last year production estimate to 339 lakh bales. During the current season, per day arrivals were reported at around 1, 50,000 bales. Gujarat, Maharashtra, Punjab and Tamil Nadu reported lower arrivals up to 15th April 2012 in comparison to previous year arrivals in the corresponding period. Farmers are possibly waiting for CCI buying activity on higher price.

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



Source: The Cotton Advisory Board

### Crop progress

Currently, farmers are busy with wheat harvesting and there is no cotton sowing as of now. Cotton area is also likely to shift to Chilli, Soybean and majorly to Guar crop due to higher returns in these crops in the current season. In Maharashtra, sowing will start after the first monsoon rain and farmers in Punjab are likely to plant cotton by the end of April or 1<sup>st</sup> week of May. The Cotton Association of India estimates that cotton planting should start by April last or 1<sup>st</sup> week of May and may be 15% lower than the 12.2 million hectares sowed in 2011/12. According to USDA report, India's cotton crop in 2012/13 may decline to 32.3 million bales (1 bale=170kgs) in comparison to the current year crop 34.3 million bales due to lower planting area.

**Export and Import Scenario**

According to the government, 10 lakh bales of cotton have been approved to export followed by revalidation process and rest of cotton i.e. 9 lakh bales will be revalidated by 17th April 2012.

India has exported totaled 100 lakh bales of cotton so far in the 2011/12.

Bangladesh purchased cotton from India in a higher quantum at 1.647 million bales in fiscal year 2010/11 followed by 1.391 million bales from Commonwealth of Independent states including Uzbekistan, 0.301 million bales from African countries and 0.598 million bales from other countries to meet its domestic mills demand. Bangladesh government representative is likely to meet Indian Textile Minister Mr. Anand Sharma as on 5th May 2012 to discuss India's cotton exports.

**Fundamental Cotton Price Outlook for the Coming Week**

We expect sideways to bullish momentum in the market during upcoming week. CCI's continued buying on higher prices from the prevailing prices of the market may lead the cotton prices upside. Besides, we could see slight amendment in millers buying activities which will strongly support to the market. Besides, a review meeting on supply and demand of raw cotton could affect the market either side.

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 14/04/12	Previous Week 07/04/12
<b>Cotton</b>	Kadi-Bt Cotton#	1%	3900-4400	3750-4350
	Amravati-Vunni Mech-1#	-6%	3750	3800-4000
	Ahmedabad-Shankar-6#	-6%	4000-4250	4100-4500
	Abohar-J-34*	1%	3600	3550-3560
	Muktsar-J-34*	1%	3600	3560
	Fajlika#	-1%	3750-4160	3800-4220
	Khandwa#	-5%	3300-4000	3600-4200

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

**Cotton Cumulative Arrivals in Key Centers**

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 14/04/12	Previous Week 07/04/12	
<b>Kadi -Bt Cotton</b>	1800	700	157%
<b>Amravati -Vunni Mech-1</b>	20500	21500	-5%
<b>Ahmedabad - Shankar-6</b>	153000	80000	91%
<b>Abohar</b>	5400	5200	4%
<b>Muktsar</b>	2150	2500	-14%
<b>Fajlika</b>	16400	12200	34%
<b>Khandwa</b>	1700	5500	-69%

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 (14/04/2012)	Rs. Per Candy (07/04/2012)	%Change
Bengal Deshi (RG)/ Assam Comilla	Below 22mm	5.0 - 7.0	15	33700	33600	0.30
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	34700	34600	0.29
J-34	25mm	3.5 - 4.9	23	29900	30400	-1.64
H-4/ MECH-1	28mm	3.5 - 4.9	25	32600	32600	Unch
Shankar-6	29mm	3.5 - 4.9	26	33800	34200	-1.17
Bunny/ Brahma	31mm	3.5 - 4.9	27	34900	35000	-0.29
DCH-32	35mm	2.8 - 3.6	31	45000	45000	Unch

## Cotton Spot Prices (Kadi Market) Technical Analysis



- The candlestick pattern Marubozu with hollow formation showed that buyers controlled the price action from the opening to last trading session and pulled prices up in this week.
- RSI is moving up at 47.95 in neutral region in comparison to previous week at 46.61 signals possible bullish phase of the market in upcoming days.
- Any near-term fall might face support towards the level of 4029 breaching it would test the level of 3933.3.

**Trading Strategy:** 4029-4632 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
3933.3	4029	4633.3	4866.6

Prices-Rs/quintal Kadi prices- Bt quality

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


- April contract in NCDEX marginally down with doji formation of candle stick on back of declining volume. Falling open interest, volume & prices indicate market under consolidation phase. On the other hand, triangle formation and Bollinger band depicts market is moving towards consolidation phase during upcoming week. While, RSI is moving up in the neutral region which signals a sideways to bullish momentum in near term. However, fundamental news will be further price supportive factor.
- Immediate resistance could be seen at 826.2 crossing such level price would test second resistance level at 855.3.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
753.8	779.3	826.2	855.3

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	780-825	Sideways to bullish

## International Market

### International Market

ICE futures ended up at 92.08 cents against 88.54 cents last week after a surge in demand amid lower supplies. Total spot transactions were reported higher at 821870 bales in this season against 579,416 of last year corresponding week.

Below table shows U.S. underlying quality of cotton (color 41, leaf 4, staple 34) prices of this week:-

Average Price for 41-4-34					
Market	Mon 6-Apr	Tue 9-Apr	Wed 10-Apr	Thu 11-Apr	Fri 12-Apr
SE	H	84.98	84.98	86.63	88.25
ND	O	83.98	84.23	85.88	87.5
SD	L	83.98	84.23	85.88	87.5
ETX	I	79.75	80	81.75	83.25
WTX	D	80	80.25	82	83.5
DSW	A	81.73	81.98	83.63	85.25
SJV	Y	82.98	83.23	84.88	86.5
7-Mkt Avg	-	82.49	82.7	84.38	85.96

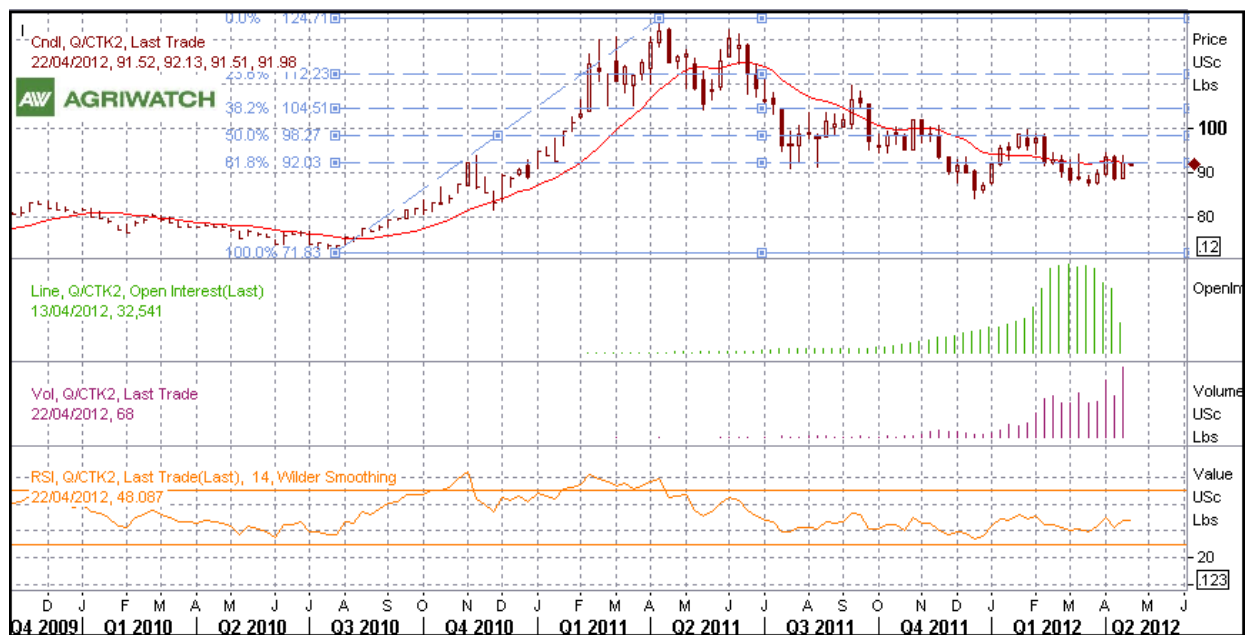
Source: USDA, AMS, Cotton and Tobacco Programs

According to USDA, world cotton consumption in 2011/12 is forecasted down by 6% to 107.7 million bales against last season consumption at 108.72 million bales. As, major cotton consuming countries have reported a decline in consumption this season except Pakistan, where cotton mill use is expected to rise 3% to 10.30 million bales.

U.S cotton ending stocks are projected to decline to 3.4 million bales on lower supply estimates and higher demand projection this month according to the latest WASDE report.

April month cotton export in U.S is projected higher by 4% to 11.40 against previous month export estimate to 11 million bales driven by robust demand from China.

On the other hand, Pakistan- cotton market Karachi spot market quoted a rise by Rs.100 to Rs.5500 due to lower supplies and advancing yarn demand. During upcoming days, prices are likely to surge on back of continue rising yarn demand from China and Bangladesh.

**ICE Futures (May 2012 Contract) Technical Analysis**


ICE future shows strong buying pressure. Prices tried to cross 92.03 to 61.8% of Fibonacci retracement level which signals bullish momentum in upcoming days. RSI is up in the neutral region indicating possible bullish momentum of the market in the next week. Immediate resistance level could be seen at 96.69. Breaching this would take the price level to 98.27.

**Recommendation: - Buy above 89 cents and book profit towards resistance level.**

Support 2	Support 1	Resistance 1	Resistance 2
83.88	86.19	96.69	98.27

All in USc/lb

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