

### Highlights of the Week

- ❖ Steady to weak tone witnessed in the cotton spot markets due to dull trading activities.
- ❖ The Cotton Advisory Board has revised India's cotton production estimate higher to 34.7 million bales as compared to earlier estimates i.e. 34.5 million bales in 2011/2012.
- ❖ In March'12, India has exported total 64.22 million kgs of cotton yarn up from previous month yarn export at 60.58 million kgs on better overseas demand.
- ❖ Total arrivals in India have declined to 288.93 lakh bales of 170 kgs each so far in comparison to last year arrivals to 302.18 lakh bales during the corresponding period as per the Cotton Corporation of India.
- ❖ A review meeting of Senior Ministers in the Central Government over the export situation is to be held on 30<sup>th</sup> April 2012.
- ❖ We expect sideways to bearish movement of the market during the upcoming week.

### Domestic Market Fundamental

Overall weak sentiments featured in the market as farmers' and millers' participations were lower than the previous week. Farmers were not keen to sell at the prevailing low prices. On the other hand, millers are buying restricted quantity to fulfill their daily requirements only. As a result prices are not sustaining at a higher level on patchy demand & supply.

Indian Government has slightly raised cotton output estimates to 34.7 million bales (1 bale=170 kgs) of cotton for 2011/12 from its previous estimate of 34.5 million bales. According to the Cotton Advisory Board, India is likely to maintain ending stock of cotton about 2.5 million bales lower than previous year's closing stocks to 3.9 million bales (1 bale= 170 kg each) despite lower amount of purchasing by the textiles mills who are facing a liquidity crunch in the current season. However, export demand sharply increased to a record 11.5 million bales of cotton.

On the other hand, the Agriculture Ministry has pegged cotton production of 2011/12 at 35.2 million bales in the 3<sup>rd</sup> advance estimate released on 23<sup>rd</sup> April 2012 thereby favoring allowing fresh cotton exports. There is a review meeting on cotton export situation between Prime Minister Mr. Manmohan Singh and Senior Ministers of the cabinet slated on 30<sup>th</sup> April 2012 to review the banned fresh registrations for cotton exports on 5<sup>th</sup> March 2012 to ensure domestic supplies.

The Commission on Agricultural Costs and Prices (CACP), under the ministry of agriculture, has recommended an increase of 25% with the minimum support price (MSP) of cotton to around 3500-3900 per quintal.

### Cotton Arrivals

Daily arrivals pace were reported around 1, 30,000 bales down against previous week arrivals at 1, 50,000 bales. According to the Cotton Corporation of India, cotton arrivals in India have registered down to 288.93 L bales so far as compared to 302.18 L bales of last year arrivals during corresponding period of time.

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

	Production as per CAB 18-04-2012	Arrivals* As on 22-04-2012	Production as per CAB 24-01- 2012	Arrivals As on 22-04-2011
States	2011-12		2010-11	
<b>India</b>	<b>347.05</b>	<b>288.93</b>	<b>339.1</b>	<b>302.18</b>
Gujarat	120	88.28	106.2	99
Maharashtra	73.75	61.85	87.75	79.67
Andhra Pradesh	54.5	50.75	59.5	45.13
Haryana	20	19.57	17	15.76
Punjab	19.5	17.59	18.5	17.86
Madhya Pradesh	17.7	16.37	17.7	16.07
Rajasthan	17.1	15.81	10.1	10.1
Karnataka	13.25	10.85	11.1	8.16
Tamil Nadu	7.2	4.38	7.2	6.77
Orissa	2.05	1.69	2.05	2.01

Source: The Cotton Advisory Board, Units: Lakh Bales

### Crop condition

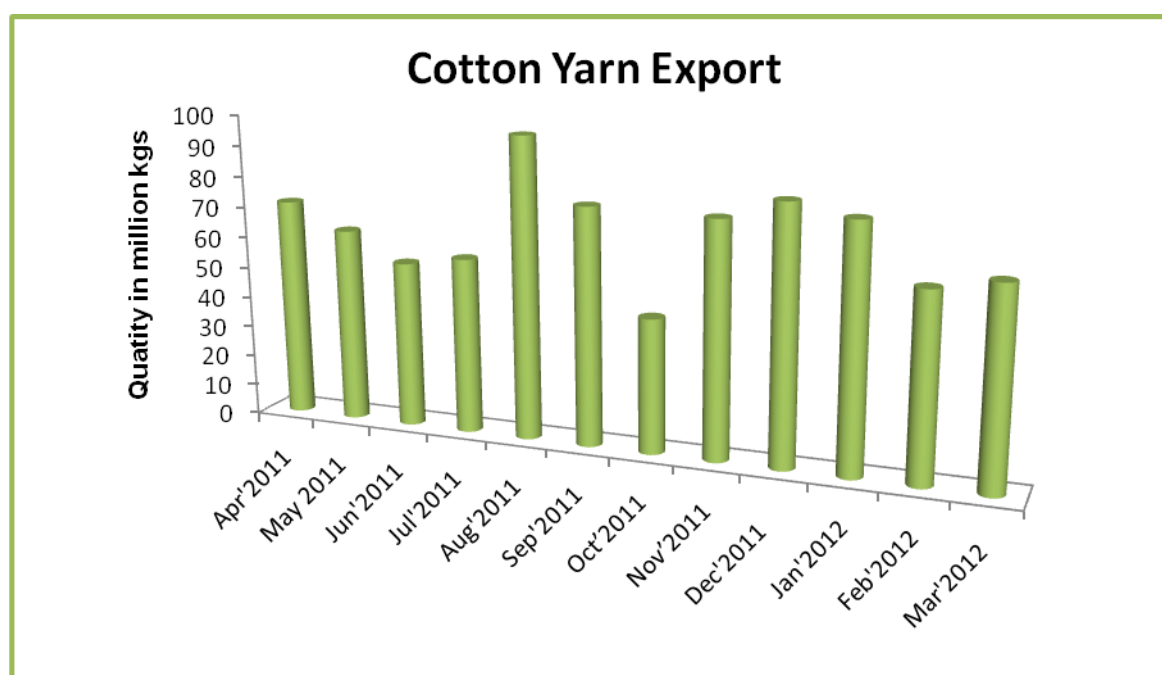
India may lower 15% of cotton planting starting in April last or 1st week of May against 12.2 million hectares sowed in 2011/12 as per the Cotton Association of India. The farmers in Andhra Pradesh are likely to shift towards Maize crop reducing 4% to 7% area of cotton in 2012 planting season on account of insufficient water availability of last season 2011 and poor performance of cotton prices in 2012. Meanwhile, the farmers in Maharashtra are planning to shift towards soybean due to poor cotton prices & lower yield on unfavorable weather conditions amid higher cultivation prices in 2011/12.

According to National Seed Association of India estimates, India is expected to require Bt cotton seeds in the range of 4.0-4.5 crore packets of 450 kgs each against total availability of seed which could be approx 5.5 crore packets.

## Yarn Export

In the recent release report of DGFT (Directorate General of Foreign Trade) cotton yarn export registrations have increased by 6.12% to 64.22 million kgs in March'12 as compared to 60.51 million kgs of Feb'12 however it is still below from Dec'11 to 83.05 million kgs and Jan'12 to 76.36 million kgs. The total cotton yarn export registrations 2011/12 have increased by 15% to 827.68 million kgs against 720 million kgs in last year 2010/11. Bangladesh, China, Hong Kong, Korea, Turkey, Peru and Europe are the major export destinations for cotton yarn. China has started to focus on production of finished products hence importing more cotton yarn from India. With the growing demand for Indian cotton yarn in overseas markets, yarn export registrations are expected to go above 70 million kgs a month in 2012/13.

Below table shows the Cotton Yarn export registrations since April 2011 to March 2012:-



Source: DGFT

## Export and Import Scenario - Cotton

CAB has recently revised its export estimation to 115 lakh bales in 2011/12 from its prior estimate at 84 lakh bales. It is a record export figure so far boosted by the higher Chinese demand this year. However, India has imposed a curb on fresh export registrations of raw cotton on 5<sup>th</sup> March 2012 in fear of depleting domestic cotton stocks resultantly further pace of export will continue to decrease.

## Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in the market during upcoming week as sluggish millers demand may continue to feature in next week also. However, CCI is likely to restart its interventions in the market next week which should support cotton prices. Besides, a review meeting on export situation could affect the market either side.

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 21/04/12	Previous Week 14/04/12
<b>Cotton</b>	Kadi-Bt Cotton#	<b>-8%</b>	3825-4050	3900-4400
	Amravati-Vunni Mech-1#	<b>Unch</b>	3750	3750
	Ahmedabad-Shankar-6#	<b>Unch</b>	3750-4250	4000-4250
	Abohar-J-34*	<b>-2%</b>	3540	3600
	Muktsar-J-34*	<b>-2%</b>	3540	3600
	Fajlika#	<b>-4%</b>	3400-3980	3750-4160
	Khandwa#	<b>Unch</b>	3200-4000	3300-4000

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

**Cotton Cumulative Arrivals in Key Centers**

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 21/04/12	Previous Week 14/04/12	
<b>Kadi -Bt Cotton</b>	825	1800	<b>-54%</b>
<b>Amravati -Vunni Mech-1</b>	26000	20500	<b>27%</b>
<b>Ahmedabad - Shankar-6</b>	175000	153000	<b>14%</b>
<b>Abohar</b>	3000	5400	<b>-44%</b>
<b>Muktsar</b>	1400	2150	<b>-35%</b>
<b>Fajlika</b>	11800	16400	<b>-28%</b>
<b>Khandwa</b>	9400	1700	<b>453%</b>

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 (21/04/2012)	Rs. Per Candy (14/04/2012)	%Change
Bengal Deshi (RG)/ Assam Comilla	Below 22mm	5.0 - 7.0	15	33000	33700	<b>-2%</b>
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	34200	34700	<b>-1%</b>
J-34	25mm	3.5 - 4.9	23	29700	29900	<b>-1%</b>
H-4/ MECH-1	28mm	3.5 - 4.9	25	32600	32600	<b>Unch</b>
Shankar-6	29mm	3.5 - 4.9	26	33800	33800	<b>Unch</b>
Bunny/ Brahma	31mm	3.5 - 4.9	27	34700	34900	<b>-1%</b>
DCH-32	35mm	2.8 - 3.6	31	45000	45000	<b>Unch</b>

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


- Filled candlestick formation along with minor upper shadow represented bearish movement of the market. If sellers' pressure will continue in the market, we could see market on declining phase in the next week too.
- RSI is moving down at level of 40.44 in neutral region indicating downtrend in the market.
- Falling 9 and 18 days EMAs also hints bearish trend in the market.
- Any near-term fall might face support towards the level of 3859.9 breaching it would test the level of 3758.8.

**Trading Strategy:** 3860 - 4514 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

**Sell at resistance level and book profit near support level.**

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
3758.8	3859.9	4514.5	4621.4

Prices-Rs/quintal Kadi prices- Bt quality

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


Rs/per 20 kgs

- The candlestick pattern with Doji formation showed market under indecisive phase after marginal gain. Downward channel depicts bearish trend of the market in upcoming week. On the other hand, rising open interest & slight up prices indicating market movement towards short covering phase. Prices stood at Fibonacci retracement level of 61.8% to 777.6 increasing the possibility of weakness in future.
- On the other hand, RSI is moving up in the neutral region which signals a sideways to bullish momentum in near term.
- However, both 9 and 18 days EMAs are down hinting an expected weakness in the market during upcoming days.
- Immediate resistance could be seen at 764.13 crossing such level price would test second resistance level at 748.13.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
748.13	764.13	812.14	832.15

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	765-812	Sideways to Bearish

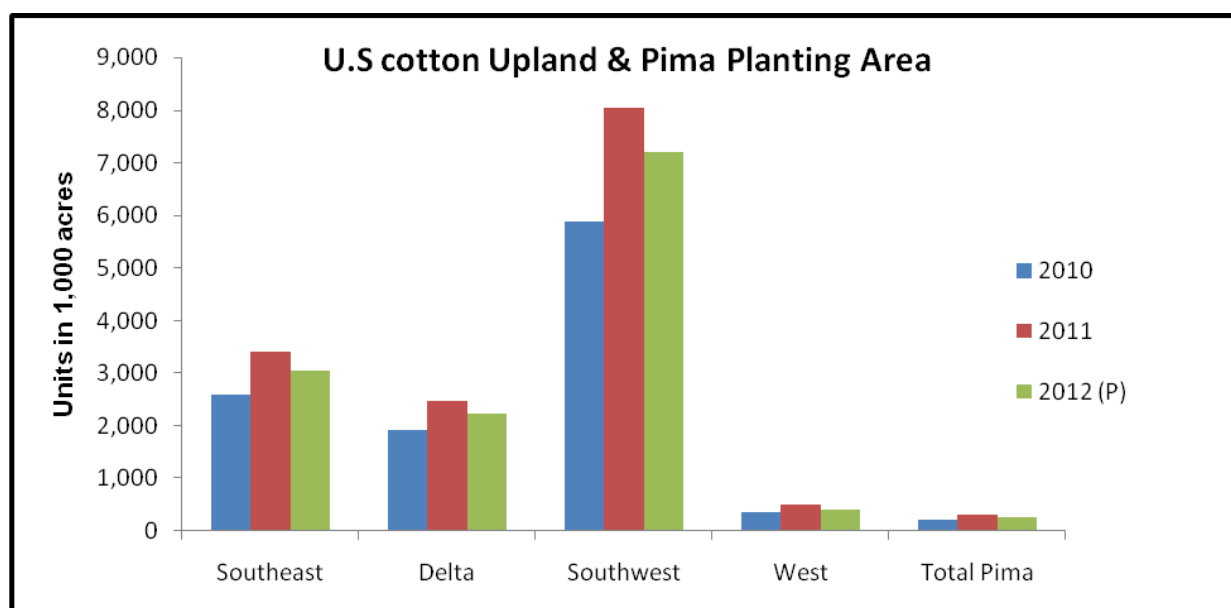
## International Market

### International Market

ICE futures declined on moderate textile mills demand due to sluggish finished product sales. Total spot transactions were reported higher at 826,456 bales in this season against 579,416 of last year corresponding week. ICE futures amid higher export demand will support prices further to improve as U. S Cotton exports surged by 3% this year during April month. It rose by 400,000 to 11.4 million bales against previous month export figure i.e. 11 million bales after robust Chinese demand.

The Upland planting in U.S. is forecasted at 12.88 million acres in 2012, below previous year by 10.68% when it was 14.42 million acres and total Pima plating is projected at 2.70 million acres, lower by 11.76% compared to last year's acreage of 3.06 million acres. Total U.S planting area is likely to cover 13.15 million acres against last year area i.e. 14.73 million acreage.

Below table shows region wise U.S cotton planting areas covered in 2010, 2011 and projected areas for 2012 details:-



Source: USDA, Prospective Planting

As per USDA Report, Chinese mills use is estimated to have gone lower by 1 million bales from March to 42.5 million bales in April month 2012. Meanwhile, China's imports are estimated higher by 2.0 million bales from March to 20.5 million bales a record in April 2012 mainly to boost its national reserves for cotton limiting consumption resulting China's ending stock is estimated at 23.1 million bales in 2012.

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


May Contract of ICE futures reflect sellers' interest in the market. Prices trended between 87.42 to 93.43 and are likely to move in the range of 86.79 to 94.65 in upcoming week. RSI is down to 45.62 in the neutral region indicating possible bearish momentum of the market in the next week. Prices may find buying strong support near 86.75. Immediate resistance level could be seen at 94.65 breaching this would take to the price level of 98.05.

Support 2	Support 1	Resistance 1	Resistance 2
84.28	86.79	94.65	98.05

All in US\$/lb

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