

### Highlights of the Week

- ❖ Weekly cotton prices reduced amid lackluster exporters demand and rising supplies.
- ❖ The Cotton prices inert to maintain its uptrend after removal of cotton export ban due to dampening overseas demand.
- ❖ The cotton growers in Maharashtra may follow Brazilian pattern for cotton crop to retrieve better yield in 2012/13.
- ❖ Lower Chinese demand is significantly influencing on the cotton prices performance in India.
- ❖ The cotton association of India has pegged India's total cotton export so far at 11.6 million bales in the current season.
- ❖ Farmers in India has covered total 14 to 15% of cotton sowing area so far started from 1<sup>st</sup> April 2012 against 37% of previous year sown area during the same time period of time.
- ❖ We expect sideways to weak cotton prices during the upcoming week on reducing demand.

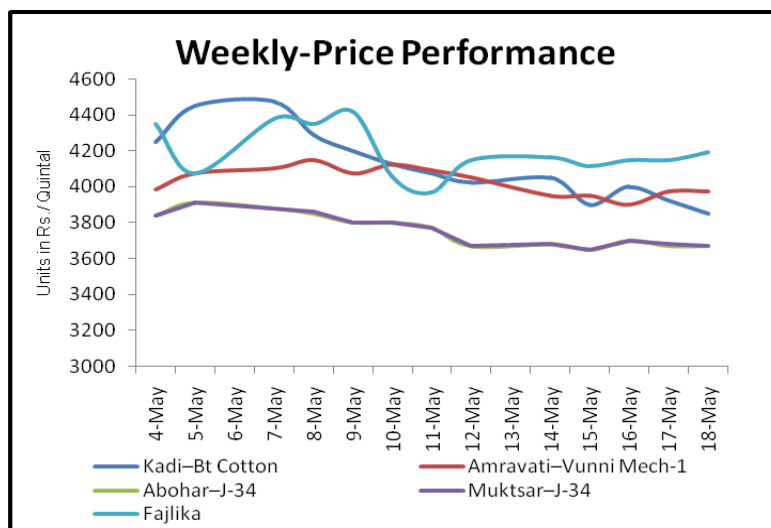
### Domestic Market Fundamental

The cotton Prices commenced on declining phase around second week of May'12 after retreating exporters demand. Slightly improved demand of textiles millers could not spike falling wedge of cotton prices. However, farmers are offloading their stocks in fear of weak anticipation of cotton prices. As a result, arrivals increased in all the markets during this week end.

The price of the most popular variety of cotton Shankar-6 (105) also slumped by 2% to 34400/ candy (1 candy=356 kgs) as recorded on 17<sup>th</sup> May 2012 compared to previous week price to 33700/candy on account of dull foreign demand.

On the hand, the cotton corporation of India has re-started to procure cotton through commercial operations in the states of Gujarat, Maharashtra and Andhra Pradesh following the direction of Government to build a buffer stock of 10 lakh bales of cotton.

In Gujarat Chief Minister Mr. Narendra Modi said that state government has stored a stock of 50,000 quintal of quality seeds which is enough to reap seeds requirements in the current sowing season 2012.



**Cotton Crop Situation & Weather Condition**

The farmers in Maharashtra are likely to adopt “Brazil Pattern” for rising cotton yield in rain fed areas from the current cotton yield 475 kg/hectare to 600 kg/hectare. Brazilians farmers receive cotton crops about 1,495 kg/hectare in rain-fed areas because of better mechanization. Brazil does both planting of seeds and application of fertilizers at the same time and mostly use traditional varieties rather than using Bt cotton seeds. While, others main cotton producing countries like China produces around 1,226 kg/hectare and Pakistan 668 kg/hectare.

**Below table shows state-wise cotton crop situation in 2012:**

India's Cotton Crop Situation in 2012					
States	Gujarat	Punjab	Maharashtra	Madhya Pradesh	Rajasthan
<b>Crop Available with Farmers</b>	10%	1 to 5%	10%	10-15%	3 to 4%
<b>Sowing Scenario</b>	May Last in irrigated area	5 to 10% cotton sowing completed in irrigated parts	May Last in irrigated parts	After 15th June	50% sowing completed in irrigated parts
<b>Expected Cotton Area Shift</b>	Guar & Groundnut	5 to 10% to Guar	Soybean	Soybean	20-25% to Guar
<b>Area 2011/12</b>	30.23	5.6	40.95	7.06	5.3
<b>Production 2011/12</b>	120	19.5	73.75	17.7	17.1

Area in lakh hectares, Production in lakh bales

As on date, total 14 to 15% of sowing area under the cotton has been completed in mid- may last against 37% of cotton area sown in preceding year during the same time period of time due to delay in wheat harvesting crop in this year. Therefore, cotton growers' loss crucial time in sowing cotton and prefer to switch other alternative crops. Besides, low cotton prices and higher estimation of global stock availability forced cotton farmers to swing towards other crops like Guar, Soybean and Groundnut. As per market source, farmers could cut about 20% cotton planting area during this season in 2012.

In Muktsar the district of Punjab, only 25 per cent of the estimated area has seen covered under cotton began from April 1 to May 15, 2012 as large chunk of land was still occupied by wheat stubble while farmers are busy selling their crops in mandis.

**Yarn & Textile**

According to PIB latest release, the production of spun yarn has been recorded lower side during 2011/12 after weak overseas demand.

Below table shows state-wise production of spun yarn:-

<b>Production of Spun Yarn during 2009-10, 2010-11 and 2011-12 (Units in Kg.)</b>				
<b>Sr. No.</b>	<b>State Name</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>
1	Andhra Pradesh	23,35,60,810	29,26,01,334	34,17,89,907
2	Gujarat	19,74,68,386	20,92,14,760	19,72,83,281
3	Haryana	10,75,61,229	14,39,83,487	17,20,02,572
4	Jammu& Kashmir	4,54,48,312	4,52,73,193	4,44,78,434
5	Karnataka	6,23,66,719	4,75,06,797	4,00,34,610
6	Kerala	3,62,56,843	3,83,59,762	3,34,84,394
7	Madhya Pradesh	25,99,10,935	29,27,07,953	29,37,07,628
8	Maharashtra	36,62,78,428	39,48,75,903	36,58,97,626
9	Orissa	13,28,832	16,65,439	15,43,248
10	Punjab	58,95,16,100	65,10,65,295	65,11,13,844
11	Rajasthan	31,89,96,961	36,10,06,330	37,42,98,575
12	Tamil Nadu	1,59,53,93,259	1,81,75,12,299	1,48,27,97,418
13	Uttar Pradesh	6,99,05,865	7,33,04,736	5,85,41,441
14	West Bengal	2,89,00,422	3,72,65,480	2,72,72,020
15	Delhi	71,280	47,520	0
16	Pondicherry	81,95,236	74,43,192	61,24,853
17	Goa	4,78,707	3,09,827	1,32,480
18	Himachal Pradesh	14,65,08,655	14,66,73,977	11,87,63,442
19	Daman & Diu	29,48,126	27,34,432	21,86,849
20	Dadra Nagar Haveli	8,07,40,336	9,39,63,199	9,08,70,939
21	Uttaranchal	4,05,38,764	5,41,88,221	5,57,27,513
22	Jharkhand	10,76,531	9,25,313	7,68,924
<b>T O T A L</b>		<b>4,19,34,50,736</b>	<b>4,71,26,28,449</b>	<b>4,35,88,19,998</b>

**Export and Import Scenario - Cotton**

As per source, low Chinese demand is limiting farmers' gains as Chinese mills are carrying ample quantity of Brazilian cotton bought on higher prices. Besides, a flip flop export situation in India is also affecting on overseas demand. China is likely to curb on cotton import and may fulfill daily cotton demand from its domestic markets in future as per market source.

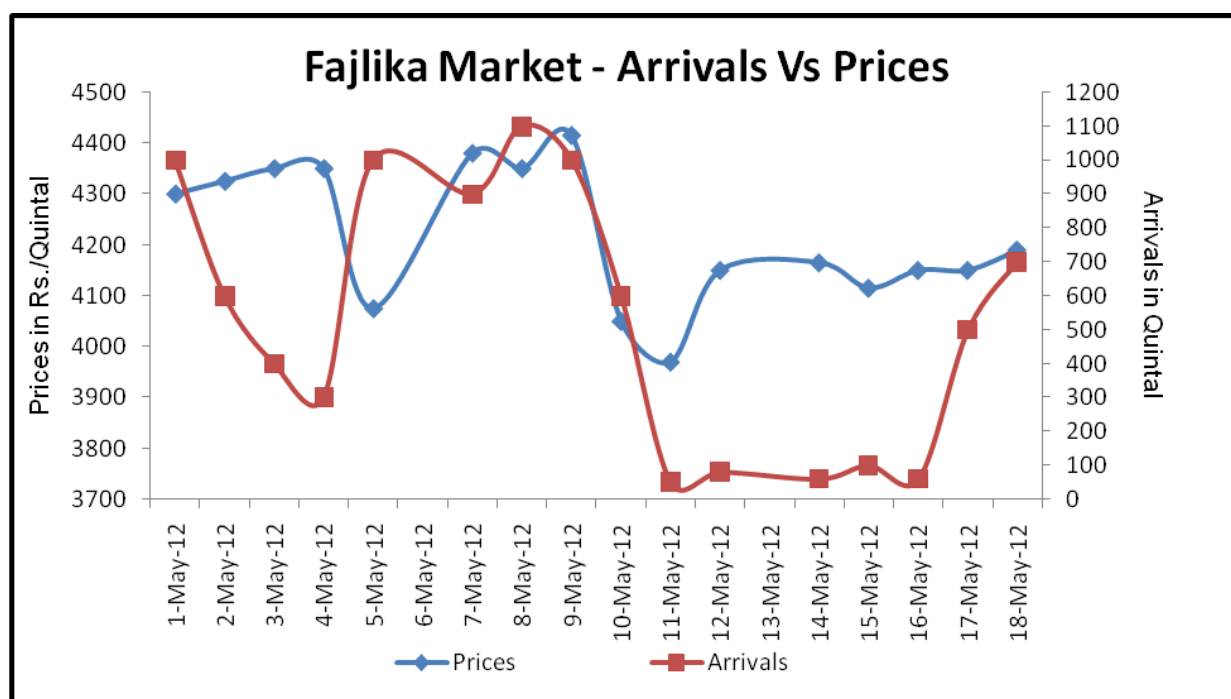
India is expected to export around 13.5 million bales of cotton during this season after buying support from Bangladesh. India has exported totaled 11.6 million bales so far during this season as per Indian Government.

### Fundamental Cotton Price Outlook for Coming Week

If overseas demand mainly in China would not be improved cotton price may crash before arrivals of monsoon on back of higher availability at mandis. The direction of cotton prices are expected to move towards sideways to bearish tone in next week on account of dampening exporters' demand amid higher supplies.

### Arrivals Vs Prices at Fajlika Market in May month so far

Prices follows comprehensively supply demand rules to behave in Fajlika market. Arrivals regained its pace from 16<sup>th</sup> Mat 2012 on better prices. Sluggish anticipation of exporters and millers demand may stunt cotton prices in upcoming days. Cotton prices are likely to move around 3800 to 4100 in next week.



**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 18/05/12	Previous Week 11/5/2012
Cotton	Kadi-Bt Cotton#	-4%	3600-4100	3900-4250
	Amravati-Vunni Mech-1#	-2%	3950-4000	4085-4100
	Ahmedabad-Shankar-6#	-	-	-
	Abohar-J-34*	-3%	3670	3770
	Muktsar-J-34*	-3%	3670	3770
	Fajlika#	-4%	4190	3750-4190

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

**Cotton Cumulative Arrivals in Key Centers**

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 18/05/12	Previous Week 11/05/12	
Kadi -Bt Cotton	800	675	19%
Amravati -Vunni Mech-1	23500	10500	124%
Ahmedabad - Shankar-6	-	-	-
Abohar	1300	640	103%
Muktsar	150	No arrivals	-
Fajlika	1550	1080	44%
Khandwa	9400	3300	185%

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

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (17/5/2012)	Rs. Per Candy (10/5/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	33400	34200	-2
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34400	35200	-2
J-34(202)	26mm	3.5 - 4.9	23	32500	33300	-2
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	34700	35600	-3
Shankar-6(105)	29mm	3.5 - 4.9	28	33700	34400	-2
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34900	35500	-2
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35900	37000	-3
DCH-32(107)	34mm	3.0 - 3.8	33	44800	45000	0

(1candy=356kgs)

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

**Prices-Rs/quintal**

- Filled marubozzo candlestick represented significant downside momentum in the market after gap opening due to heavy selling pressure during the week.
- Prices are likely to break 23.6% Fibonacci retracement level of Rs.4100/quintal in next week.
- RSI is moving down in neutral region from the level of 46.27 to 43.66 indicating possible sideways to bearish phase in the market.
- Below 9 and 18 EMAs hints bearish momentum in the market in near as well as in long run.
- Any near-term jump might face resistance towards the level of 4252.5 breaching it would test the level of 4301.9.

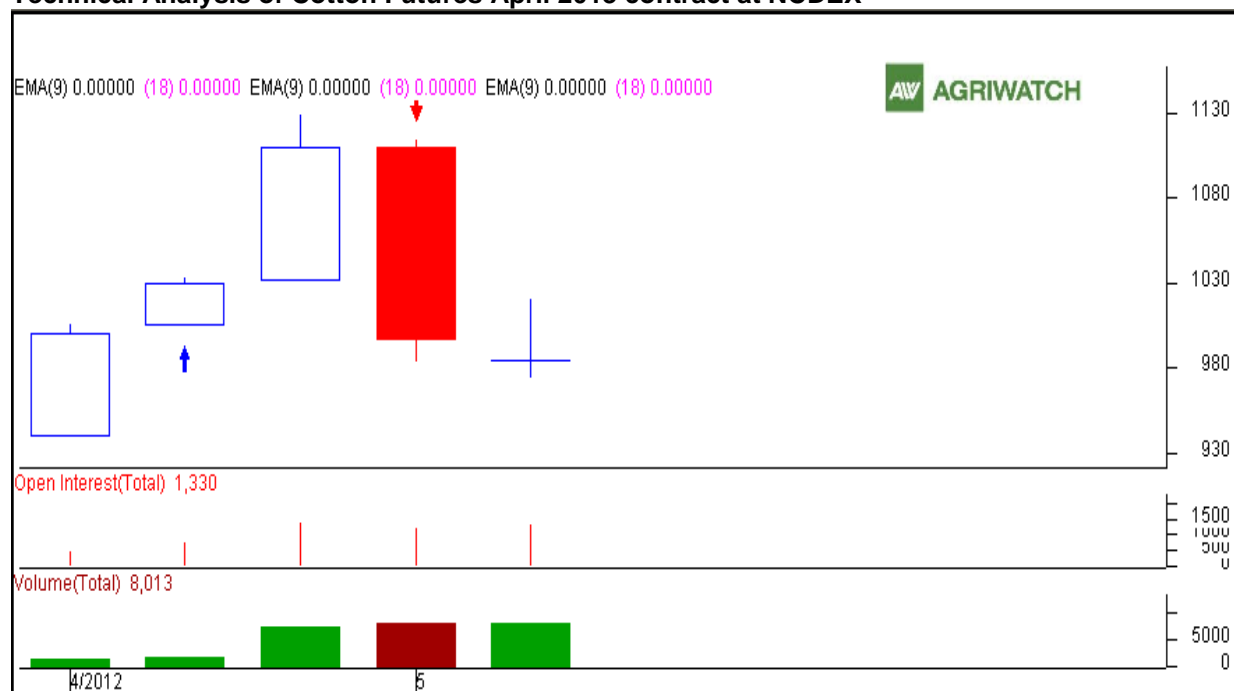
**Trading Strategy:** 4049-4252 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

**Sell at the resistance price level and book profit towards support level.**

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
3752	3906	4252.5	4301.9

Prices-Rs/quintal Kadi prices- Bt quality

**Technical Analysis of Cotton Futures April 2013 contract at NCDEX**


Rs/per 20 kgs

- April contract in NCDEX declined after selling pressure. Buyers tries hard to push prices up but could not sustain on higher side during the week ended. The technical chart indicates prices to decline for medium term in cotton future market. It retraced back without touching its resistance level 1030.6 indicating prices to fall further for medium term.
- On the other hand, rising open interest & falling prices depicts market possible in short build up phase in next week.
- Immediate resistance could be seen at 1030.6 crossing such level price would test second resistance level at 1110.8
- Prices are likely to move between 940 to 1020 in next week.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
930	940.6	1030.6	1110.8

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	940-1020	Sideways to Bearish Momentum

### International Market

US cotton prices for the base quality of cotton (color 41, leaf 4, staple 34, mike 35-36 and 43-49, strength 27.0-28.9, uniformity 81.0-81.9) in the seven designated markets lowered to 70.80 cents per pound for the week ended Thursday, May 17, 2012 against 78.13 cents last week and 152.48 cents reported the corresponding period a year ago despite lower spot transactions stood at 2,290 bales compared to 3,915 bales of last week and 7191 bales as recorded previous year.

Producers are not much keen to take forward contracts on account of prevailing down trend in ICE futures at present.

As per National Agriculture Statistics Service, Planting in Mississippi increased to 90% against 51% of previous year due to favorable weather condition. While, sowing in Louisiana is heading to complete by the end of the week.

On the other hand, Texas reported good crop progress supported by more widespread rainfall in this season. However, some of the cotton crop has been damaged after receiving hail in south Texas. Even in the southern Low Plains belonging to West Texas region cotton crop would be re-planted in some of the fields as crop got destroyed after heavy storms.

According to USDA, China, Pakistan and Taiwan enquired U.S cotton mainly from Texas preferring high quality cotton availability so far.

Below table shows the US spot prices for 41-4-34 during the week:-

Average Price for 41-4-34 (All in USc)					
	11-May	14-May	15-May	16-May	17-May
Southeast	73.22	73.07	73.66	71.47	71.15
North Delta	72.47	72.32	72.66	70.47	70.15
South Delta	72.47	72.32	72.66	70.47	70.15
East TX/OK	70.75	70.75	71	69	68.75
West Texas	71	71	71.25	69.25	69
Desert SW	70.22	70.07	70.41	68.22	67.9
SJ Valley	70.97	70.82	71.16	68.97	68.65

Source: USDA, AMS, Cotton and Tobacco Programs



## ICE Futures (July 2012 Contract) Technical Analysis



July Contract of ICE futures continued on declining phase on rising selling pressures. The Channel reflects market apparently under bearish zone on continued speculative sales. On the other hand, rising open Interest, falling volume and prices depict market under short build up phase. Prices ranged between 76.26 to 80.65. RSI is moving below oversold region hinting towards a possible correction in upcoming days. Immediate support level is at 73.33 breaching this may touch 70.40 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.40	73.33	79.18	82.11

All in USc

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