

Highlights of the Week

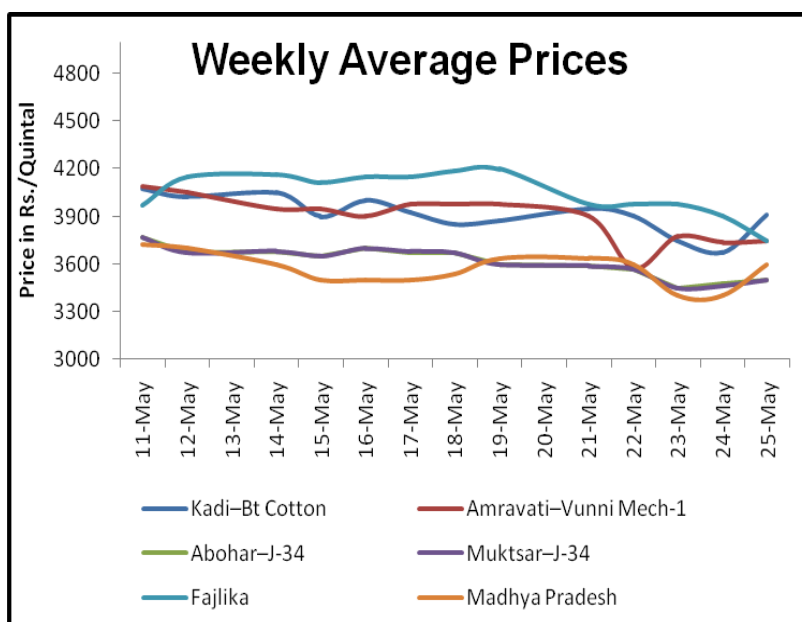
- ❖ Most of the cotton markets represented thin trading activities during this week.
- ❖ Sluggish ginners and spinners demand are the main cause to drop cotton prices.
- ❖ Higher cost cultivation of cotton and lower prices compel China cotton farmers to reduce cotton planting by 9.2 % as per the China Cotton Association in 2012/13.
- ❖ The cotton production in Pakistan is expected to fall by 15% during the 2012/13 due to water scarcity and declining cotton prices during 2011/12.
- ❖ The cotton association of India has pegged India's total cotton export so far at 11.6 million bales in the current season.
- ❖ While in India, cotton growers are likely to reduce cotton area by 15-20% in 2012/13 on account of poor price performance and unstable export policy.
- ❖ We expect range bound to downtrend in coming week continue on poor demand.

Domestic Market Fundamental

Supplies pressure and lacklustre domestic as well as overseas demand pulled down cotton prices in this week except Kadi market which closed on higher side after a marginal improvement in demand. Producers are offloading their stocks at the current market prices in expectation of further downtrend in the market.

The price of the most popular variety of cotton Shankar-6 (105) also sharply reduced by 6% to 31800/ candy (1 candy=356 kgs)

as recorded on 24th May 2012 compared to previous week price to 33700/candy on account of dull foreign demand.



Cotton Crop Situation & Weather Condition

As per traders, cotton sowing has been recently started in some of the irrigated parts of Maharashtra. On time monsoon arrival forecast in India by IMD (India metrological Department) will help cotton farmers to plant cotton in rain-fed areas successfully on time and able to get better yields. On other hand, both

Punjab and Rajasthan have covered around 60% cotton sowing area so far in irrigated parts. However, cotton area is expected to decline by 10 to 12% and 20 to 25% respectively in Punjab and Rajasthan shifting towards Guar crop as guar prices sparked beyond expectation during 2011/12 marketing season. As per sources, farmers in Haryana have already started to shift cotton area towards Guar in this sowing season. While in Gujarat, farmers are in opinion to shift cotton area towards Groundnut, Soybean and Guar due to higher realizations.

As per market sources, total 15 to 20% cotton area is expected to decline in 2012 due to higher cost of cultivation, poor price performance and flip-flop export policy in 2011/12.

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

India's Cotton Crop Situation in 2012					
States	Gujarat	Punjab	Maharashtra	Madhya Pradesh	Rajasthan
Crop Available with Farmers	25-30%	1 to 2%	7 to 10%	10%	No crop
Sowing Scenario	After monsoon	60% cotton sowing completed in irrigated parts	Sowing started in irrigated parts	After 15th June	60% sowing completed in irrigated parts
Expected Cotton Area Shift	Guar & Groundnut	10 to 12% towards Guar	Soybean	Soybean	20-25% to Guar
Area 2011/12	30.23	5.6	40.95	7.06	5.3
Production 2011/12	120	19.5	73.75	17.7	17.1

Source: Agriwatch, (Area in lakh hectares, Production in lakh bales)

Yarn & Textile

After sharp decline in Rupee against dollar, textile importers started to re- negotiate of contracts already signed which were signed a month or two ago when the rupee was trading around 51-52 against dollar. Currently, Rupee is trading around at 56 a dollar as recorded on Wednesday (23rd May 2012).

Export and Import Scenario - Cotton

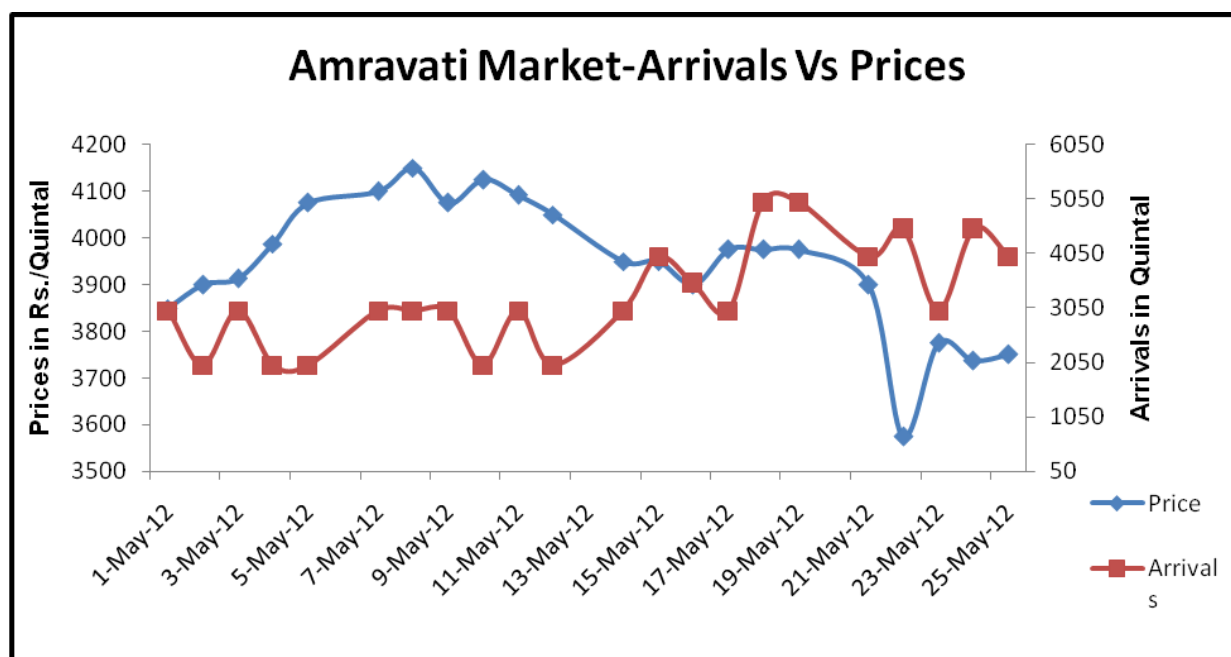
India is expected to export around 13.5 million bales of cotton during this season. India has exported totaled 11.6 million bales so far during this season as per Indian Government.

Fundamental Cotton Price Outlook for Coming Week

We can see a range bound to bearish trading activities in upcoming days in the absence of strong buying support. Supplies pressures are likely to continue weigh in the market.

Arrivals Vs Prices at Amravati Market during May

Prices began to fall since the second week of May due to higher supplies amid low demand in Amravati Market. Farmers are willing to sell their crop at the current prices in fear of further decline in cotton prices. However, we can see marginal recovery in the cotton prices from the current level in anticipation of improving millers demand. Cotton prices are likely to move around 3690 to 4400 in next week.



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 25/05/12	Previous Week 18/05/12
Cotton	Kadi-Bt Cotton#	2%	3625-4200	3600-4100
	Amravati-Vunni Mech-1#	-6%	3750	3950-4000
	Ahmedabad-Shankar-6#	-	3500-3900	-
	Abohar-J-34*	-5%	3500	3670
	Muktsar-J-34*	-5%	3500	3670
	Fajlika#	-7%	3900	4190
	Khandwa	-2%	3800	3875

*-Rs/maund, #-Rs.qtl

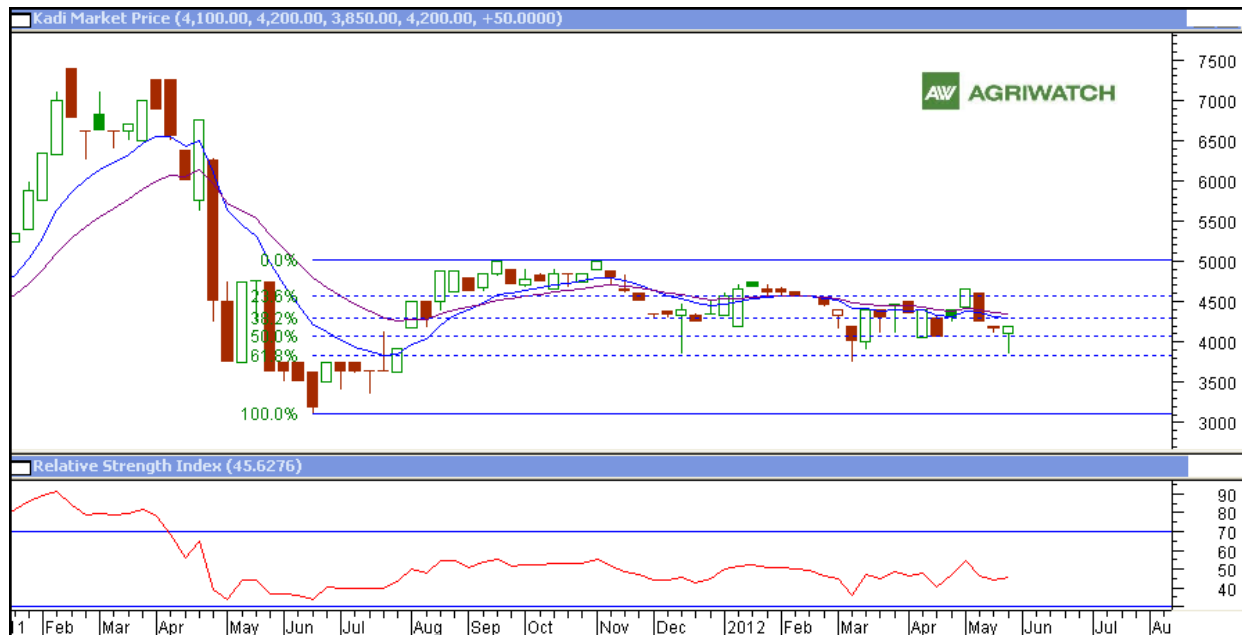
Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 25/05/12	Previous Week 18/05/12	
Kadi -Bt Cotton	650	800	-19%
Amravati -Vunni Mech-1	25000	23500	6%
Ahmedabad - Shankar-6	25000	-	-
Abohar	2050	1500	37%
Muktsar	250	150	67%
Fajlika	4800	1550	210%
Khandwa	4000	9400	-57%

(Amrvatai,Fajlika & Khandwa- Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (24/5/2012)	Rs. Per Candy (17/5/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	32900	33400	-1%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33900	34400	-1%
J-34(202)	26mm	3.5 - 4.9	23	29900	32500	-8%
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	31500	34700	-9%
Shankar-6(105)	29mm	3.5 - 4.9	28	31800	33700	-6%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34500	34900	-1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35500	35900	-1%
DCH-32(107)	34mm	3.0 - 3.8	33	46000	44800	3%

Cotton Spot Prices (Kadi Market) Technical Analysis



Prices-Rs/quintal

- The cotton prices in Kadi market moved significantly lower after the open but rallies to close well above its day low side with the formation of Hammer which signals further reversal trend in the market in near term.
- Cotton prices have breached 50% retracement level of Rs.4080.4 as seen in the chart. This denotes further downtrend in the market.
- RSI is slightly up in neutral region from the level of 44.50 to 45.62 indicating possible some recovery 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 4275.9 breaching it would test the level of 4570.2

Trading Strategy: 3634.6-4275.9 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
3526.6	3634.6	4275.9	4570.2

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. The technical chart indicates prices to decline for medium term in cotton future market.
- On the other hand, falling open interest, volume & prices depicts market under consolidation phase in next week.
- Immediate resistance could be seen at 985 crossing such level price would test second resistance level at 1024.
- Prices are likely to move between 913 to 985 in next week.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
980	913	985	1024

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	913-985	Range bound 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 68.60 cents per pound for the week ended Thursday, May 24, 2012 against 70.80 cents last week and 153.55 cents reported the corresponding period a year ago despite lower spot transactions stood at 9,859 bales compared to 2,290 bales of last week and 7129 bales as recorded previous year.

Lower interest in forward contracts from producers is the main cause to pull ICE future down.

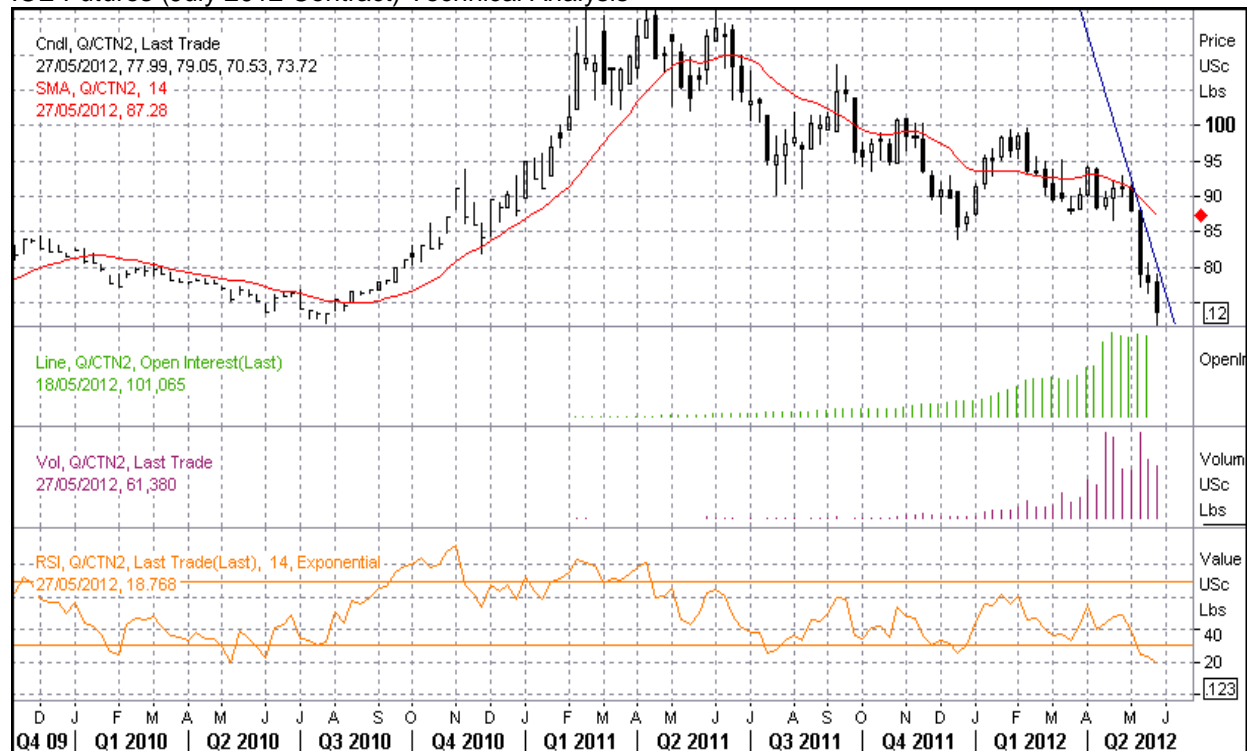
U.S:- As per USDA, cotton planting in south delta is almost on completion phase. According to National Agricultural Statistics Service, 89% cotton planting is completed in Louisiana and 80% Mississippi. Now farmers are making the arrangement to begin irrigating in already cotton planted area. While, the sowing crop is on blooming stage in Yuma, Arizona.

China:- According to the China Cotton Association, cotton planting in China is expected to reduce by 9.2% in 2012 on back of higher cost of cultivation and falling cotton prices. Cotton farming costs increased by 17% in 2011 following 13% and 20% rise in cost of materials and a labor costs respectively. Spring planting in Yangtze River and the Yellow River areas (which account for more than 60 percent of the country's output) is almost on completion phase.

On other hand, Chinese government has promised to buy cotton at above market price to increase cotton planting. Market sources said that the government will buy new crops at 20,400 Yuan (\$3,215) a ton.

Pakistan:- Farmers in Sindh have completed around 45% of targeted cotton area so far in 2012 against 49% area covered in the corresponding period last year as revealed by the Agriculture Department of Sindh.

As per the market source, Pakistan's cotton production is likely to decline by 15% or around 2.2 million bales in 2012/13 after major reduction in cotton area due to water shortage and low cotton prices.

ICE Futures (July 2012 Contract) Technical Analysis


July Contract of ICE futures continued on declining phase on continued selling pressures. The bearish trend line reflects market apparently under bearish zone on continued speculative sales. On the other hand, falling open Interest, volume and prices depict market under consolidation phase. Prices ranged between 70.53 to 79.05. RSI is moving below oversold region hinting towards a possible correction in upcoming days. Immediate support level is at 65.86 breaching this may touch 61.19 during upcoming week.

We expect continue bearish momentum in near and medium term-

Support 2	Support 1	Resistance 1	Resistance 2
61.19	65.86	82.90	86.75

All in USc

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