

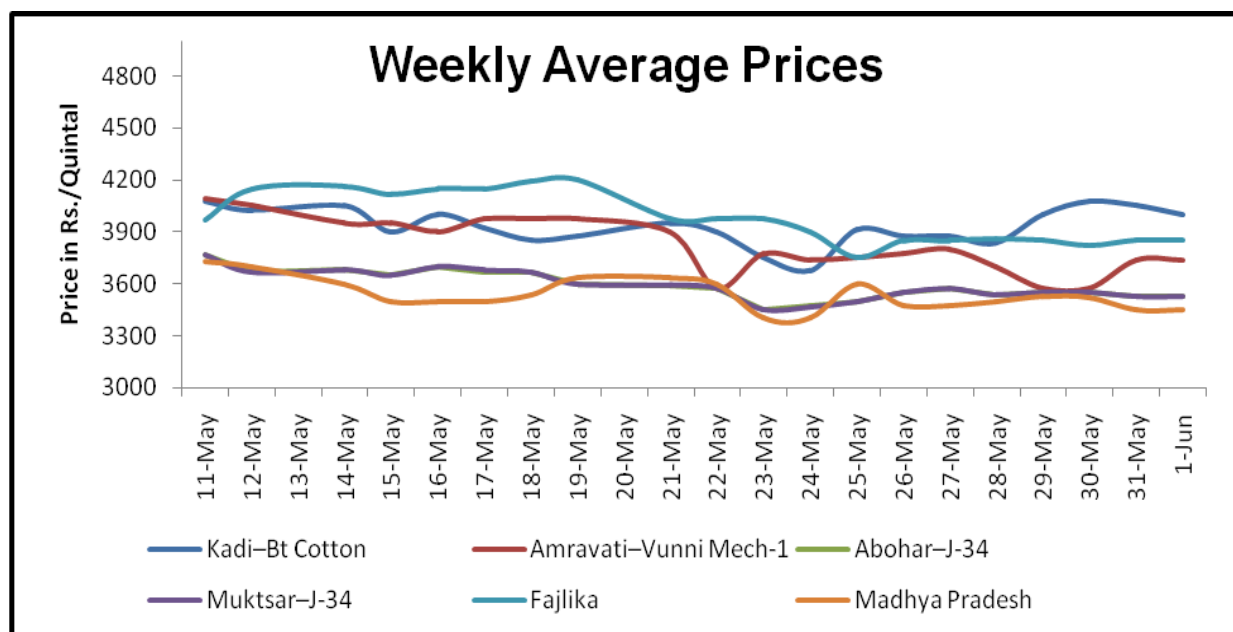
Highlights of the Week

- ❖ The cotton prices trended in mixed phase amid moderate trading activities during this week.
- ❖ India has registered marginally lower arrivals to 321.27 lakh bales against 321.52 of last year arrivals.
- ❖ Higher cost of cultivation and poor cotton prices will compel Indian cotton growers to reduce cotton area by 10% or 12.2 million hectares in 2012/13 as said by the Cotton Association of India.
- ❖ World cotton production 2012/13 is forecasted down to 116.4 million bales against 123.04 million bales of previous year in anticipation of that major producing countries like India and USA would shift cotton area towards other profitable crops like Groundnut, soybean etc as per WASDE latest report. While world ending stocks is projected to rise to 73.8 million bales in 2012/13 against 66.8 million bales in 2011/12.
- ❖ We expect range bound to uptrend in coming week in anticipation of lower supplies against demand.

Domestic Market Fundamental

Recent improved demand has slightly increased cotton spot prices in few of the markets during the week ended. Ginners and spinners have started to enter in the markets which may lend a major support to gain. However, exporters are releasing their already procured stocks and not quoting any fresh demand amid lower foreign demand which may cap on cotton profit.

Below chart shows the weekly average prices during May'12:-



Source: Agriwatch

Cotton Crop Situation & Weather Condition State wise

Gujarat: - The cotton sowing will begin after monsoon arrivals in rain-fed areas while approx. 5% sowing has been completed in irrigated areas of the state. Farmers are of the opinion that they should shift towards Groundnut, Soybean and Guar due to higher profit realizations in those crops as against cotton.

Maharashtra: - Cotton sowing has been done in almost 15 to 20% of planned cotton area especially in irrigated parts of Maharashtra as on date. Major Cotton sowing will commence after monsoon probably by 15th of June 2012. Farmers are holding below 10% cotton crops further to delivery in the markets.

Punjab: - The farmers have covered almost 70 to 80% cotton sowing in irrigated parts of Punjab. Ample accessibility of water helps growers to successfully plant cotton. On the other hand, there are very nominal crops held by farmers so far but could not boost up cotton prices due to moderate millers buying.

Rajasthan: - Farmers have sown 40% cotton crops in areas with water availability as on date. However, they could shift about 20 to 25% of cotton area towards Guar.

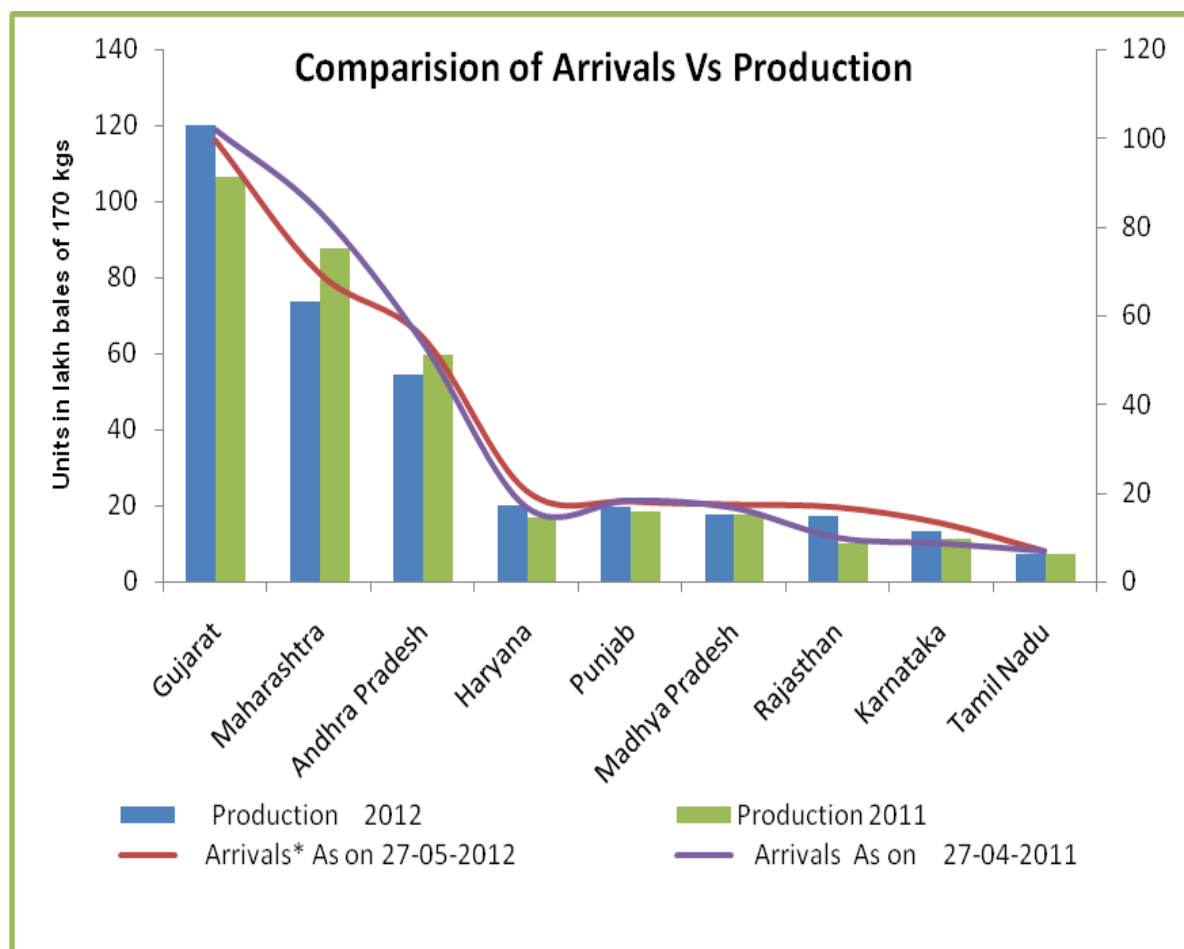
Below table shows state-wise cotton crop situation in 2012:

India's Cotton Crop Situation in 2012				
States	Gujarat	Punjab	Maharashtra	Rajasthan
Crop Available with Farmers	10-12%	Below 2%	Below 10%	No crop
Sowing Scenario	5% completed in irrigated parts	70-80% completed in irrigated parts	15-20% completed in irrigated parts	60% sowing completed in irrigated parts
Expected Cotton Area Shift	Guar & Groundnut	10 to 12% towards Guar	Soybean	20-25% to Guar
Area 2011/12	30.23	5.6	40.95	5.3
Production 2011/12	120	19.5	73.75	17.1

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

Cotton Arrivals status

As per the cotton advisory report, arrivals are declining majorly in Gujarat, Maharashtra, Punjab and Tamilnadu as stocks are depleting. While, Rajasthan, Karnataka and Haryana reported higher arrivals during 27th May 2012 against previous year during the same time period of time. Lower cotton prices are discouraging cotton growers. According to CCI, per day arrivals have been reported around 65,000 bales as on date.



Source: The Cotton Advisory Board

Yarn & Textile

In a recently released report of DGFT (Directorate General of Foreign Trade) cotton yarn export registrations have decreased by 2.20% to 62.81 million kgs in April'12 as compared to 64.22 million kgs of Mar'12 and down by 11.98% from 71.36 million kgs of last year cotton yarn exports during corresponding period amid declining textiles owners demand.

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

Month	Month Wise Yarn Export Quantity in Million Kgs.	% Change
Apr'2011	71.36	
May 2011	63.19	-11.45
Jun'2011	54.079	-14.42
Jul'2011	57.212	5.79
Aug'2011	97.734	70.83
Sep'2011	77.157	-21.05
Oct'2011	43.69	-43.38
Nov'2011	76.362	74.78
Dec'2011	83.005	8.70
Jan'2012	79.148	-4.65
Feb'2012	60.518	-23.54
Mar'2012	64.227	6.13
Apr'2012	62.811	-2.20

Source: DGFT

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 bullish trading activities in upcoming days as demand is likely to commence in the market against lack of arrivals. However missing exporters' activities may restrict cotton price to gain enough.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 01/06/12	Previous Week 25/05/12
Cotton	Amravati–Vunni Mech-1#	Unch	3725-3750	3750
	Kadi–Bt Cotton#	-4%	3750-4050	3625-4200
	Ahmedabad–Shankar-6#	Unch	3750-3900	3500-3900
	Gondal	-	-	2500-3905
	Rajkot	-	-	3550-3945
	Abohar–J-34*	1%	3525	3500
	Muktsar–J-34*	1%	3525	3500
	Fajlika#	4%	3650-4050	3900
	Khandwa	-3%	3200-3700	3800

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 1/06/12	Previous Week 25/05/12	
Amravati –Vunni Mech-1	22000	30000	-13%
Kadi –Bt Cotton	175	650	-65%
Ahmadabad – Shankar-6	123000		-
Gondal	3017	5725	-47%
Rajkot	13500	3500	286%
Abohar	1150	2050	-37%
Muktsar		250	-24%
Fajlika	4000	4800	-17%
Khandwa	3400	4500	-24%

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

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (31/5/2012)	Rs. Per Candy (24/5/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	34400	32900	5%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35500	33900	5%
J-34(202)	26mm	3.5 - 4.9	23	30300	29900	1%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	31900	31500	1%
Shankar-6(105)	29mm	3.5 - 4.9	28	33000	31800	4%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35100	34500	2%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36000	35500	1%
DCH-32(107)	34mm	3.0 - 3.8	33	47000	46000	2%

Source: The Cotton Association Of India

Cotton Spot Prices (Kadi Market) Technical Analysis



Prices-Rs/quintal

- Unfilled Marubozu candlestick patterns reveals that the cotton prices in Kadi market moved significantly higher after the open on buying pressures.
- RSI is slightly up in neutral region from the level of 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 4436.2 breaching it would test the level of 4636.3.

Trading Strategy: 3743.8-4636.3 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

We expect a buy level on lower side in between 4050-4100.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3500.9	3743.8	4436.2	4636.3

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 recovered after slight buyers interest. The technical chart indicates prices to gain in short term.
- On the other hand, rising open interest, prices depicts market under long build up phase in next week.
- Immediate resistance could be seen at 960 crossing such level price would test second resistance level at 977.
- Prices are likely to move between 900 to 960 in next week.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
871	900	960	977

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	900-960	Range bound to Bullish Momentum

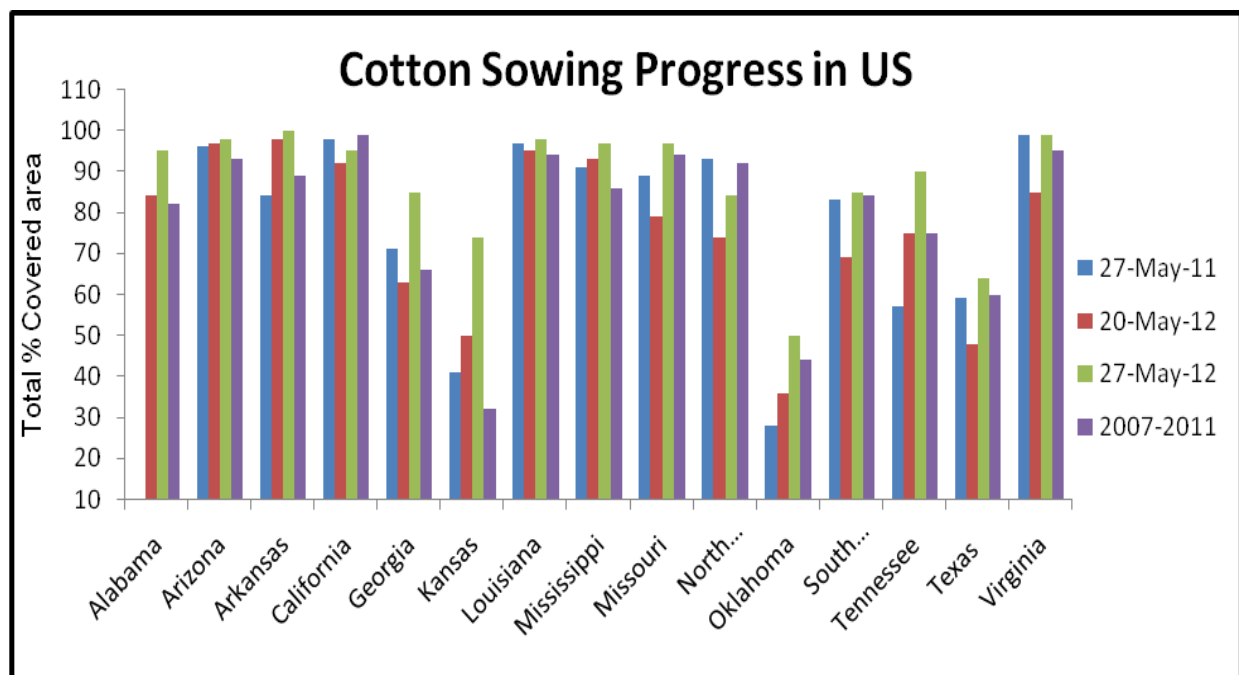
International Market

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 66.14 cents per pound for the week ended Thursday, May 31, 2012 against 68.60 cents last week and 158.65 cents reported the corresponding period a year ago despite lower spot transactions stood at 1,027 bales compared to 9,859 bales of last week and 3,984 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 crops in Yuma has begun to bloom. While in Arizona, cotton planting is near to complete supported by favorable weather condition. In southern California, cotton crops have made good progress, while planting is almost complete in South delta. According to National Agricultural Statistics Service, 89% of cotton planting has been completed in Louisiana while 80% in Mississippi. Now farmers are making the arrangements to begin irrigating in cotton area.

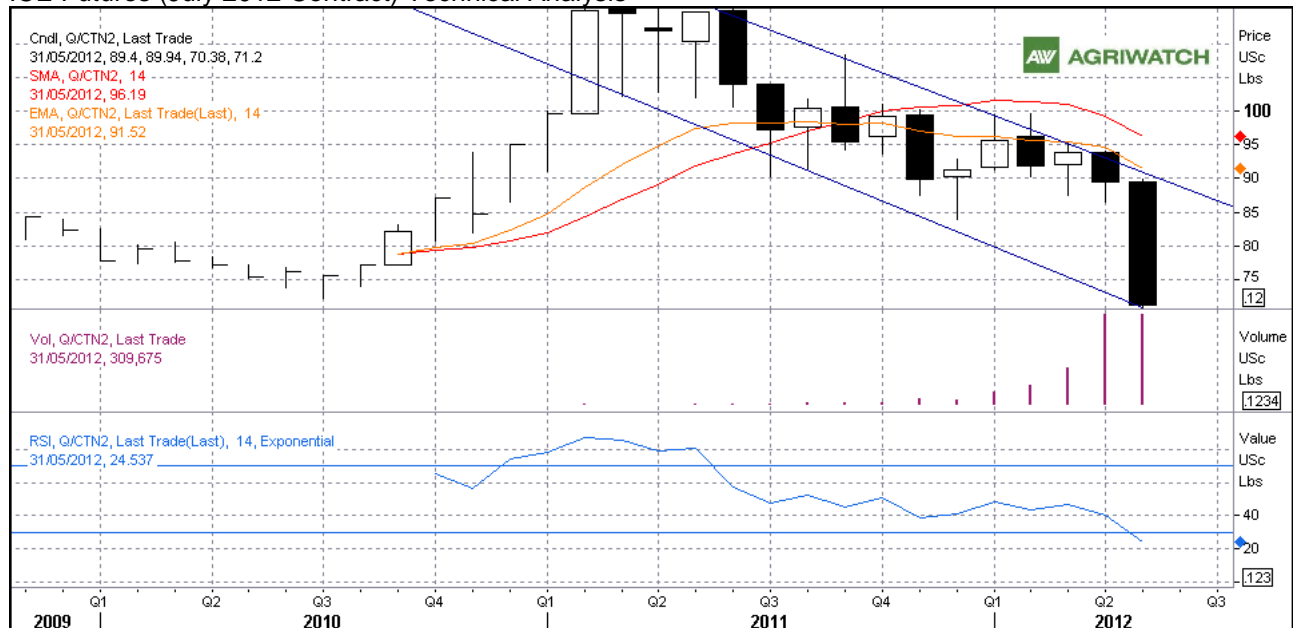
Below Chart shows total % of cotton covered area so far along with previous week and previous year sowing progress:



Source: USDA

World Demand & Supply

According to WASDE report, world cotton production 2012/13 is projected down to 116.4 million bales against 123.04 million bales of previous year in anticipation of cotton areas in major producing countries like India and USA shifting towards other profitable crops like Groundnut, soybean etc.

ICE Futures (July 2012 Contract) Technical Analysis


ICE future prices of July contract ended with long black body candlestick on selling pressures during the month. Double bearish candlestick hint further declining phase of the market. Other oscillator, RSI is crossing even oversold region and strongly signals towards a correction from the current level. Prices are expected to touch the immediate resistance price level of 92.99 breaching it may test 98.24 in upcoming week.

Recommendation: - Sell towards immediate resistance level and book profit towards support level.

Support 2	Support 1	Resistance 1	Resistance 2
57.62	64.43	92.99	98.24

All in USc

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