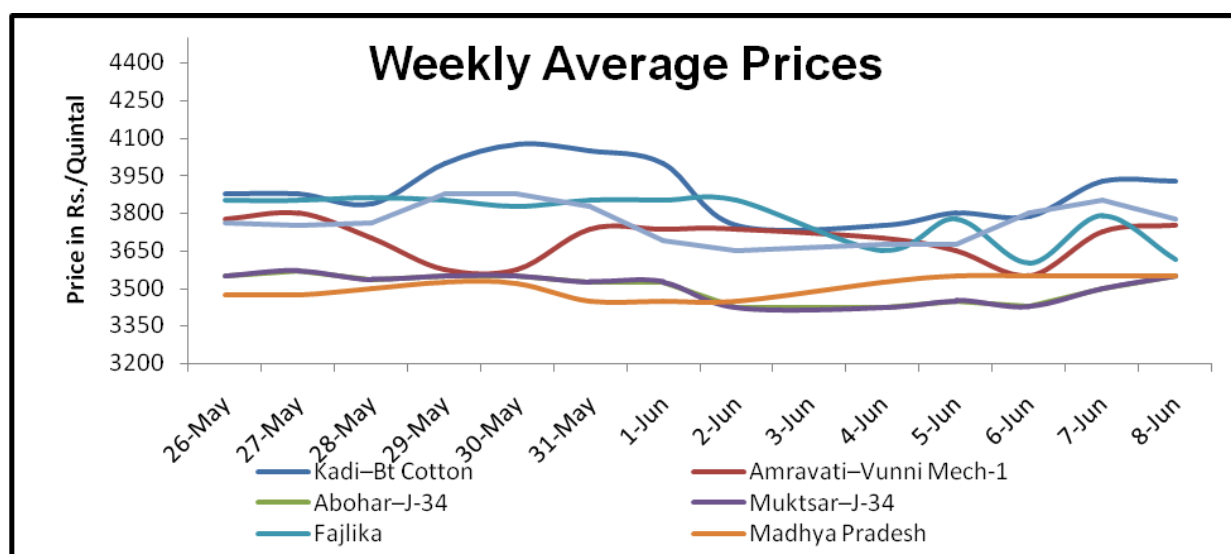


Highlights of the Week

- ❖ Steady to firm tone witnessed in the cotton spot markets on back of average demand during this week.
- ❖ Ups and downs in arrivals seen in the markets.
- ❖ The farmers in Punjab have successfully completed 90% cotton sowing so far.
- ❖ According to ICAC world cotton area may decline by 7% to 33.6 million hectares in 2012/13 on account of poor cotton prices.
- ❖ While, India is likely to reduce cotton area by 15-20% in 2012/13 on account of poor price performance and unstable export policy as per the cotton Association of India.
- ❖ We expect sideways to bearish trend in upcoming week due to declining demand.

Domestic Market Fundamental

Slight improvements in cotton spot prices featured during this week supported by spinners buying activities. While arrivals has been registered with mixed pace. Currently, producers are willing to offload their stocks at the current market prices in expectation of further downtrend in the market. In Pujab, ginners and spinners are not much interested to buy cotton at the current market prices, and they are negotiating below Rs. 3400/quintal.



As per market source, Cotton seed sellers in Gujarat and Maharashtra are facing 50% drop in sales of cotton seeds against previous year while in North India it is fell by 15% as farmers are planning to shift other remunerative kharif crops in this current season.

In Gujarat, cotton seed sales is likely to touch below 30 lakh packets against 38 lakh packets of last year during this sowing season. Besides, there is illegal seed availability at the rate of Rs. 400 per 450gm packet (ball quard-2 variety) as compared to market prices under authorized sales at Rs. 930 per 450gm packet (ball quard-2 variety).

Cotton Crop Situation & Weather Condition

In Punjab, sowing will complete within 5 to 6 days due to availability of water and further rain will be helpful on its germination phase. Cotton growers in Punjab are likely to shift 5 to 7 % of cotton area towards Guar during this sowing season. Cotton area would be shifted towards Guar mainly in Rajasthan i.e. 25% against previous year record

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

Cotton Sowing Progress 2012 in India					
States	Gujarat	Punjab	Maharashtra	Madhya Pradesh	Rajasthan
Fresh Crop Available	10%	15 to 20 lakh bales	7-10%	10 to 15%	No crop
Sowing	2-5% sowing completed	90% sowing completed	20% sowing completed	First week of July	70% sowing completed
Cotton Area Shift	Guar & Groundnut	5 to 7% towards Guar	Soybean	Soybean	25% towards 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

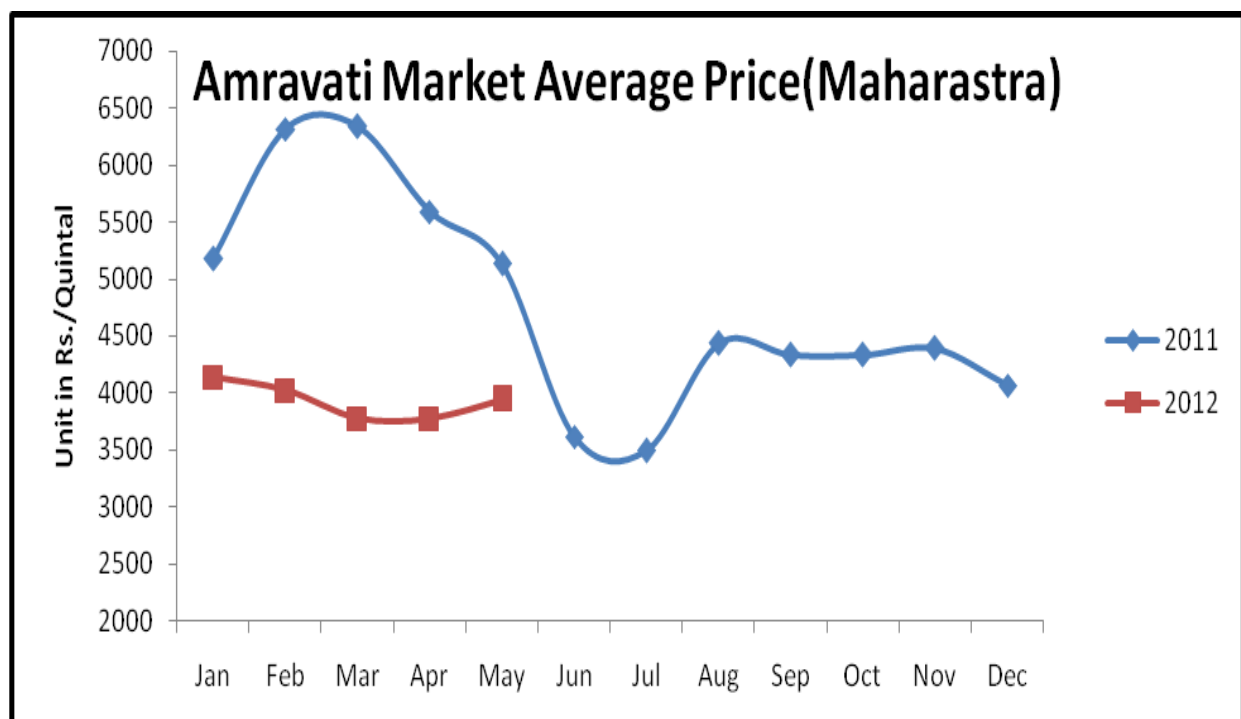
Source: Agriwatch, (Area in lakh hectares, Production in lakh bales)

Yarn & Textile

Cotton Yarn production declined to 267.8 million kgs in March, 2012 compared to 268.06 kg in 2011 in the corresponding period of time while blended yarn production stood down by 22.93 to 56.50 million kg and down by 6.76 % month.

Arrivals Vs Prices at Amravati Market during May

Prices are performing not well in 2012 against previous year due to lackness in demand. Prices sharply declined and traded below the level of Rs. 4000/quintal against the level of Rs. 5000/quintal in same time period in 2011 due to sluggish demand.



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 8/6/2012	Previous Week 1/6/2012
Cotton	Amravati–Vunni Mech-1#	Unch	3750	3725-3750
	Kadi–Bt Cotton#	1%	3750-4100	3750-4050
	Ahmedabad–Shankar-6#	1%	3750-3950	3750-3900
	Gondal	-	2500-4895	-
	Rajkot	-	3535-4015	-
	Abohar–J-34*	1%	3550	3525
	Muktsar–J-34*	1%	3550	3525
	Fajlika#	-11%	3615	3650-4050
	Khandwa	Unch	3400-3700	3200-3700

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centerssss

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 8/6/2012	Previous Week 1/6/2012	
Amravati –Vunni Mech-1	18000	26000	-31%
Kadi –Bt Cotton	195	225	13%
Ahmedabad – Shankar-6	92000	123000	-25%
Gondal	4684	3017	55%
Rajkot	21990	13500	63%
Abohar	1450	1300	12%
Muktsar	110	190	-42%
Fajlika	2700	4000	-33%
Khandwa	970	3400	-71%

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

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (8/6/2012)	Rs. Per Candy (1/6/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	34800	34400	1.16
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36000	35500	1.41
J-34(202)	26mm	3.5 - 4.9	23	30700	30300	1.32
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	31500	31900	-1.25
Shankar-6(105)	29mm	3.5 - 4.9	28	32500	32800	-0.91
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35000	35100	-0.28
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36000	36000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	46500	47000	-1.06

Fundamental Cotton Price Outlook for Coming Week

We expect steady to weak tone in upcoming week on account of lower millers demand. On the other hand, exporters are sitting silently in the markets on back of weak global demand as major overseas markets are under slow down economical conditions.

Cotton Spot Prices (Kadi Market) Technical Analysis

Prices-Rs/quintal

- The low of the long lower shadow implies that sellers pulled prices lower during the session. However, the strong finish indicates that buyers regained their footing to end the session on a strong note. However, trader should wait further confirmation about uptrend.
- RSI is down in neutral region from the level of 41.90 to 37.93 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 3911.4 breaching it would test the level of 4207.8.

Trading Strategy: 3473.3-3911.4 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
3094.4	3473.3	3911.4	4207.8

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 closed slight up on improving buying activities during this week.
- On the other hand, rising open interest & marginal up prices depicts market under long build up phase in next week.
- Immediate resistance could be seen at 983 crossing such level price would test second resistance level at 1020.4.
- Prices are likely to move between 929 to 983 in next week.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
910	929	983	1020.4

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	929-983	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 averaged to 67.14 cents per pound for the week ended Thursday, June 7, 2012 against 66.14 cents last week and 151.94 cents reported the corresponding period a year ago. The spot transactions stood up at 1,511 bales compared to 1,027 bales of last week and 2,877 bales as recorded previous year. While ICE July prices ended on higher side to 73.89 cents against 71.55 last week.

Ample Rain water in Texas, the top US producing state, helps to improve cotton planting. "In some places there were very good rains," says the National Weather Service's Matt Ziebell. This may pressurize ICE future price in anticipation of higher productions in the marketing season of 2012/13.

The farmers in US have completed 83% of cotton planting so far according to Texas crop progress and condition report.

On the other hand farmers in Sindh region of Pakistan 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.

As per ICAC forecast, world cotton prices are weak in anticipation of higher ending stock to 14.46 million tons against previous year record 13.26 million tons despite a lower forecast of cotton production to 25.10 million tons in 2012/13.

ICE Futures (July 2012 Contract) Technical Analysis


July Contract of ICE futures reversed its downtrend in this week amid buying supports. On the other hand, falling open Interest and rising prices depict market under short covering phase. Prices ranged between 66.10 to 74.88 during the week. RSI is moving up at 31.57 in neutral region as compared to previous week i.e. 29.12. Immediate resistance level is at 80.07 breaching this may touch 85.26 during upcoming week.

We expect range-bound trading activity in near term-

Support 2	Support 1	Resistance 1	Resistance 2
58.92	62.51	80.07	85.26

All in USc

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