

Highlights of the Week

- ❖ Mixed tone witnessed in the the cotton spot prices due to ups and downs in demand during this week.
- ❖ 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.
- ❖ Minimum support price of Cotton for 2012/13 has been raised by 28.18 to 3600 per quintal for medium staple length and 3900 for long staple length by Indian Government as on 14th June 2012.
- ❖ According to ICAC world cotton area may decline by 7% to 33.6 million hectares in 2012/13 on account of poor cotton prices.
- ❖ 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.
- ❖ We expect steady to upward momentum in coming week in anticipation of lower supplies against demand.

Domestic Market Fundamental

Major Cotton markets closed on higher side amid higher domestic demand however the market in Punjab reported lower prices due to weak demand. Spinners were active however exporters were sitting silently in absence of overseas demand during this week. Moreover, stocks are depleting in most of the markets which may weigh on the cotton prices supported by increasing millers demand.

According to CMIE, cotton production is expected to decline by 7.8% to 32.2 million bales during the financial year 2012-13.

Indian Government declared cotton minimum support price for 2012/13 up by 28.57% to 3600 per quintal for medium staple length and long staple length by 18.18% to 3900 per quintal against last year MSP i.e. 2800 per quintal and 3300 per quintal respectively to encourage cotton farmers. However, lower cotton prices against dull demand and other lucrative crops like Guar, soybean has compelled cotton farmers to reduce cotton area in 2012/13.

Cotton Crop Situation & Weather Condition

According to trade sources, in Kadi market of Gujarat around 35-40% sowing is complete. Sowing progress is slow following rainfall below normal in the sowing regions. In Punjab sowing is complete and lack of rainfall will affect the crop currently.

According to trade sources, acreage under cotton is likely to decline by 15% in North India. Farmers are diverting to other profitable crops like guar, soya bean and groundnut.

Cotton seed makers are worried of increase in stocks following decline in acreage during this season. Usage of Bt cotton seeds has attracted the farmers following higher yields, productivity, returns and reduction in usage of pesticides.

The Maharashtra government is implementing Brazilian model of cotton cultivation in eight districts of Vidarbha region so as to increase the per-acre yield of cotton and reduce the per-acre cultivation cost. As per the model, yield of cotton could increase from current 350 kg/lint per ha to around world average of 725 kg/lint per ha and cost of cultivation could reduce from Rs.12500 per hectare to Rs. 5000 per hectare.

According to the latest update by Andhra Pradesh government, sowing under cotton has been completed in 2.97 lakh hectares till date compared to 1.93 lakh hectares during the same period previous year.

The farmers in Gujarat may reduce area under by 4.5% to 28.88 lakh hectares during 2012 compared to 30.23 lakh hectares during 2011.

According to government officials, sowing of cotton in Sri-Ganganagar and Hanumangarh areas of Rajasthan is less compared to previous year.

According to IMD, rains are expected along the west coast, thereby supporting sowing of cotton in Maharashtra.

In the Adilabad district of Andhra Pradesh, farmers are shifting from cultivation of cotton towards Soyabean. Area under cotton cultivation is likely to decline to 3.5 lakh hectares compared to 3.9 lakh hectares during the previous year according to assistant director of Agriculture, Adilabad.

According to Confederation of Indian Textile Industry, acreage under cotton is likely to be less than 110 lakh hectares compared to 121 lakh hectares in 2011-2012.

As on 15th June 2012, total area under cotton in Maharashtra is reported to be 1.62 lakh hectares. This is 5.5% of the normal area sown.

According to Gujarat government officials, acreage under cotton during this year is likely to decline to 25 lakh hectares compared to 30 lakh hectares during the previous season.

Production of cotton in Gujarat is likely to decline by 25 percent in the current fiscal year compared to 112 lakh bales during 2011-12.

Yarn Production & Demand

According to CMIE, production of cotton yarn and synthetic yarn would increase by 10% and 3.5% respectively amid good fabric demand.

According to the Directorate General of Foreign Trade (DGFT), total registration for cotton yarn shot up to 74.5 million kg in May, against 63.2 mn kg in the corresponding month last year. In the three preceding months ended April, however, total cotton yarn export registration was 60-64 mn kg.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 22/6/2012	Previous Week 15/6/2012
Cotton	Amravati–Vunni Mech-1#	3.85	4025-4050	3900
	Kadi–Bt Cotton#	2.41	3800-4250	3750-4150
	Ahmedabad–Shankar-6#	Unch	3750-4000	3750-4000
	Gondal	-	-	-
	Rajkot-(Bt Cotton)	5.32	3600-4160	3750-3950
	Abohar–J-34*	-0.56	3530	3550
	Muktsar–J-34*	-0.56	3530	3550
	Fajlika#	-3.42	3525	3650
	Patan-(Bt Cotton)	2.92	3525	3400-3425
	Sri-Ganganagar	0.73	3450	3420-3425

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centerssss

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 25/6/2012	Previous Week 15/6/2012	
Amravati –Vunni Mech-1	18000	17000	5.88
Kadi –Bt Cotton	660	350	88.57
Ahmedabad – Shankar-6	94000	77000	22.08
Gondal	-	-	-
Rajkot-(Bt Cotton)	11150	23450	-52.45
Abohar J-34*	670	950	-29.47
Muktsar J-34*	-	-	-
Fajlika	150	850	-82.35

(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 (21/6/2012)	Rs. Per Candy (14/6/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	35600	35000	1.71
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36800	36200	1.66
J-34(202)	26mm	3.5 - 4.9	23	30800	30800	Unch
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32000	30900	3.56
Shankar-6(105)	29mm	3.5 - 4.9	28	33000	32100	2.80
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35200	34400	2.33
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36500	35500	2.82
DCH-32(107)	34mm	3.0 - 3.8	33	45500	45500	Unch

Fundamental Cotton Price Outlook for Coming Week

We expect steady to firm trend in upcoming week in anticipation of improving local mills demand.

Spinners are expected to buy higher quantum of cotton in next week due to depleting stocks in the markets which will further support cotton prices.

Cotton Spot Prices (Kadi Market) Technical Analysis

Prices-Rs/quintal

- The candlestick patterns reflected slight uptrend in the market.
- However, steady RSI momentum hints possible steady momentum in upcoming days.
- On the other hand, it is down on its 9 & 18 days EMAs reinforcing its medium term & long term steady to bearish momentum.
- Any near-term jump might face resistance towards the level of 4261.5 breaching it would test the level of 4377.7.

Trading Strategy: 4001- 4261.5 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

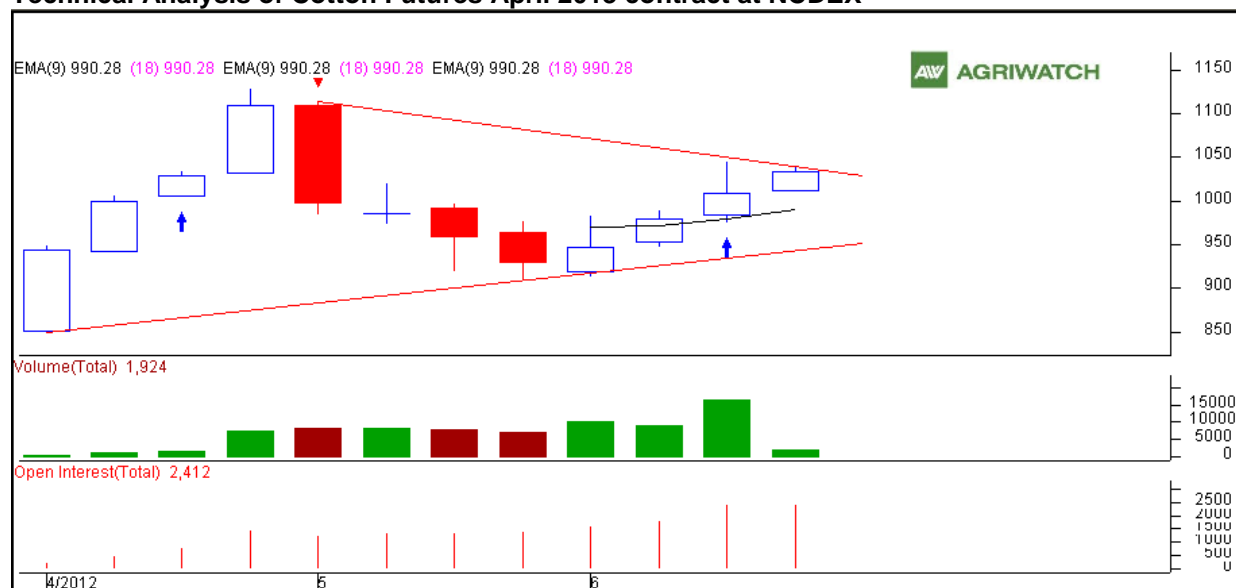
Buy on dips and book profit towards resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3892.6	4001.9	4261.5	4377.7

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 up due to buying supports and further uptrend channel reflects bullish trend of the market in upcoming days.
- Slight down open interest & rising prices depicts market movements towards steady to firm tone in next week.
- Immediate resistance could be seen at 1048.4 crossing such level price would test second resistance level at 1111.4
- Our short term outlook on the contract is bullish. We advise to go for long positions and book profit near resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
965.5	987.7	1048.4	1111.4

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	987.7-1048.4	Steady to Bullish Momentum

International Market

- Cotton futures at ICE closed lower following weak manufacturing data in the major consuming countries of U.S, Europe and China.
- Cotton farmers in Tanzania are likely to suffer more losses following price fluctuations resulting from by surplus production of the crop in the world market.
- China imported 501,838 metric tons of cotton in May, up sharply from 144,559 tons a year earlier according to the General Administration of Customs. The country's January-May imports rose to 2.58 million tons from 1.21 million tons during the same period a year earlier.
- According to USDA crop progress report, 10% of the cotton crop is in excellent condition, 43% in good condition and 32% in fair condition.
- China bought nearly 95% of the 795,700 ion of Indian bales of the net export sales from the U.S. in the week ending June 7.
- According to ICAC world cotton area may decline by 7% to 33.6 million hectares in 2012/13 on account of poor cotton prices.

ICE Futures (July 2012 Contract) Technical Analysis


July Contract of ICE futures closed on lower side as prices could not sustain at upper level due to heavy selling pressure. Prices closed below 50% Fibonacci retracement level which signals a downtrend in near term. On the other hand, falling open Interest, volume & prices depict market under long liquidation phase. Prices ranged between 74.17 to 89.48 during the week. RSI is moving down in neutral region hints downtrend in the market. Immediate resistance level is at 94.58 breaching this may touch 99.86 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
63.96	69.06	94.58	99.86

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