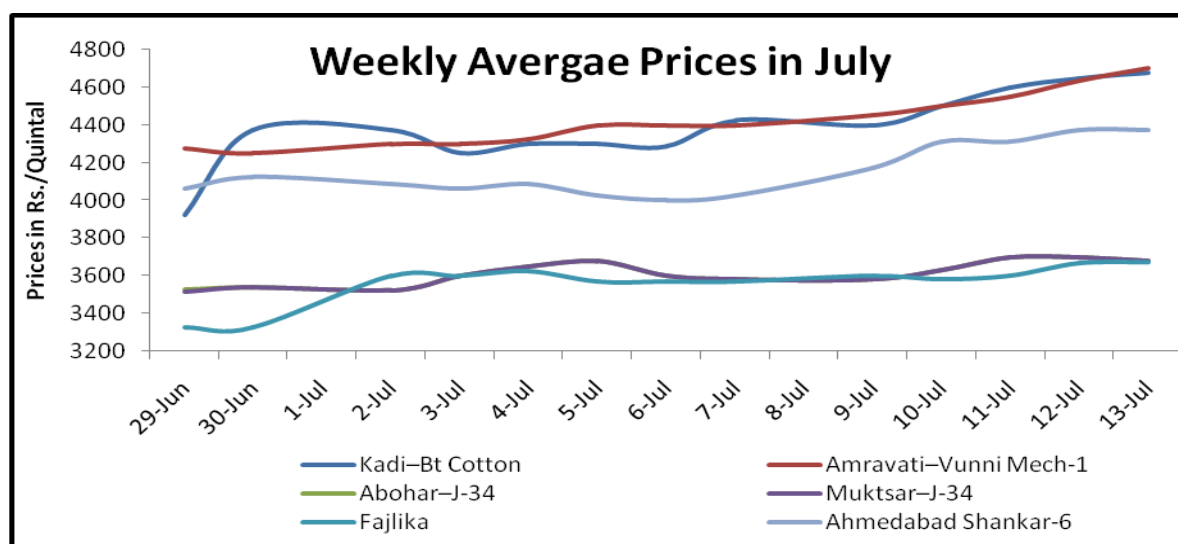


Highlights of the Week

- ❖ Firm tone extended in the cotton spot markets supported by continues increasing local demand on restricted selling.
- ❖ Limited stocks are remained in hand of farmers on cotton season end.
- ❖ As per IMD, rain/thundershowers would occur at many places over west coast, eastern & north-eastern states, western Himalayan region and Gangetic plains and at a few places over central India.
- ❖ USDA projected global cotton ending stocks down by 3 percent on lower beginning stocks & production for 2012/13. World production is declined 1.5 million bales due to decreases for India, Pakistan, and others.
- ❖ Cotton Yarn prices will go up due to rising apparel and textile millers' demand.
- ❖ The cotton prices are likely to gain in coming week on back of good spinners & Textile millers demand.

Domestic Market Fundamental

All the cotton markets ended on higher side due to robust spinners and textiles millers demand. Restricted selling by farmers and ginneries are supporting cotton & Yarn prices. On the other hand, exporters are bringing their already procured stock in the market with below Rs. 700 against market prices however quality of the cotton is less than farmers offering crops due to which demand for farmers' crops are better than exporters stocks.



Source: Agriwatch

Now farmers in Bhiwani district will get cotton crops insurance. The government of Haryana has issued a notification for the same done under National Agriculture Insurance Scheme (NAIS) and fixed up general insurance premium of Rs 15,700 per acre of cotton crops.

Yarn & Textile Production & Demand

Yarn buyers are not interested to buy cotton yarn on higher prices however cotton yarn prices increased due to low supplies. According to market source, South Indian mills have accumulated two months of forward orders as they are getting good profit currently which will support yarn prices to increase further. Apparel manufacturer are now looking at sourcing from local markets rather than importing from Bangladesh manufacturer due to fall in the rupee which supported local prices & demand. Therefore, since last couple of months apparel imports from Bangladesh is estimated to have fallen around 60 to 70%. Earlier, lower labor cost in Bangladesh and removal import duty had made imported goods cheaper by around 20-15% compared to buying apparels from local producers.

Crop Situation

Cotton sowing is rapidly increasing in its respective belts supported by favourable weather conditions. Farmers are getting sufficient rain water for cotton sowing; as a result the pace of cotton sowing has been registered at 65.21 till 13th July 2012 as compared to previous year i.e. 59.22 during corresponding period of time as recorded by ministry of agriculture department.

Below table shows state wise cotton sowing progress as on 13th July 2012:-

State				Area covered this year and on corresponding period of earlier year		Change Over Normal as on date	Increase/Decrease Over earlier Year
	Normal Area *	State Target 2012-13	Normal Area as on date 13th July 2012 **	Area covered 13 July 2012	2011		
Andhra Pradesh	17.42	18.2	9.94	10.94	9.83	38.44	1.11
Gujarat	26.86	27	13.23	8.57	7.7	40.84	0.87
Haryana	5.47	5	5.21	5.15	5.98	0	-0.83
Karnataka	5.19	5.7	2.38	1.83	2.69	43.4	-0.86
Madhya Pradesh	6.56	6.5	5.18	4.54	4.23	113.75	0.31
Maharashtra	38.54	40	24.63	25.11	17.51	174.18	7.6
Orissa	0.77	1	0.56	0.76	0.82	120.83	-0.06
Punjab	5.34	6	5.57	5.16	5.75	Unch	-0.59
Rajasthan	4.16	3.5	3.43	2.8	4.39	Unch	-1.59
Tamil Nadu	1.2	1.5	0.09	0.055	0.1	Unch	-0.045
Uttar Pradesh		0.3	0.22	0.3	0.22	Unch	0.08
Others	0.33	0.25	0				
Total	111.82	115	70.43	65.215	59.22	48.55	5.995

Area in Lakh hectares, Source: - Ministry of Agriculture (** Denotes Average of last three Years)

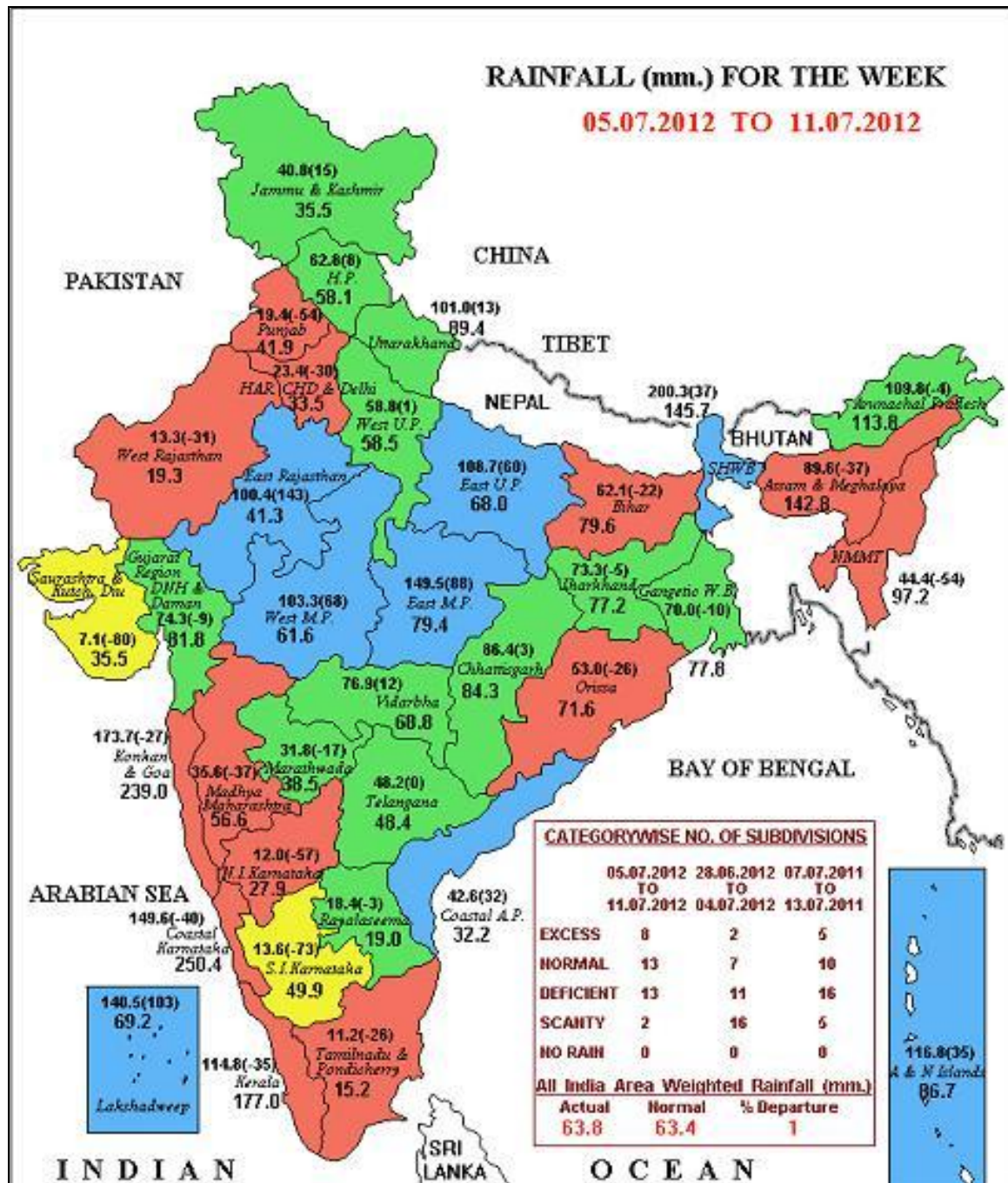
Weather Situation

As per IMD, the Southwest Monsoon has covered entire country on 11th July 2012. Southwest monsoon was vigorous over for Haryana, Chandigarh & Delhi, Punjab, East Rajasthan, West Madhya Pradesh and Gujarat Region for one or two days and active over Arunachal Pradesh and Sub-Himalayan West Bengal & Sikkim for many days, over Uttar Pradesh and East Madhya Pradesh for a few days and over Andaman & Nicobar Islands, Odisha, Bihar, Himachal Pradesh, West Madhya Pradesh, Marathawada, Vidarbha, Chhattisgarh, Coastal Andhra Pradesh, Telangana and Kerala for one or two days during the week.

The volume of monsoon rain in India in the week ended July 11 was 1% above the long-term average, compared with 49% below the average the previous week, as rainfall improved in the central region and parts of the north. India received 63.8 millimetres of rain between July 5 and July 11, compared with a 50-year average of 63.4 millimetres. Rainfall has so far been deficient in 60% of India's crop areas.

Outlook for the Week Ending on 18th July, 2012

Rain/thundershowers would occur at many places over west coast, eastern & northeastern states, western Himalayan region and Gangetic plains and at a few places over central India.



Source: IMD

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 13/7/2012	Previous Week 6/7/2012
Cotton	Amravati–Vunni Mech-1#	6.82	4700	4400
	Kadi–Bt Cotton#	4.97	4600-4750	4050-4525
	Ahmedabad–Shankar-6#	5.88	4250-4500	3750-4250
	Gondal	-	2500-4550	-
	Rajkot-(Bt Cotton)	5.23	3925-4525	3800-4300
	Abohar–J-34*	2.22	3680	3600
	Muktsar–J-34*	2.22	3680	3600
	Fajlika#	2.94	3675	3570
	Patan-(Bt Cotton)	6.90	4400-4650	4300-4350
	Sri-Ganganagar	2.53	3650	3560

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centerssss

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 13/7/2012	Previous Week 6/7/2012	
Amravati –Vunni Mech-1	10500	12500	-16.00
Kadi –Bt Cotton	366	315	16.19
Ahmedabad – Shankar-6	74000	77000	-3.90
Gondal	3487	-	-
Rajkot-(Bt Cotton)	4255	8800	-51.65
Abohar J-34*	60	170	-64.71
Muktsar J-34*	-	-	-
Fajlika	-	-	-

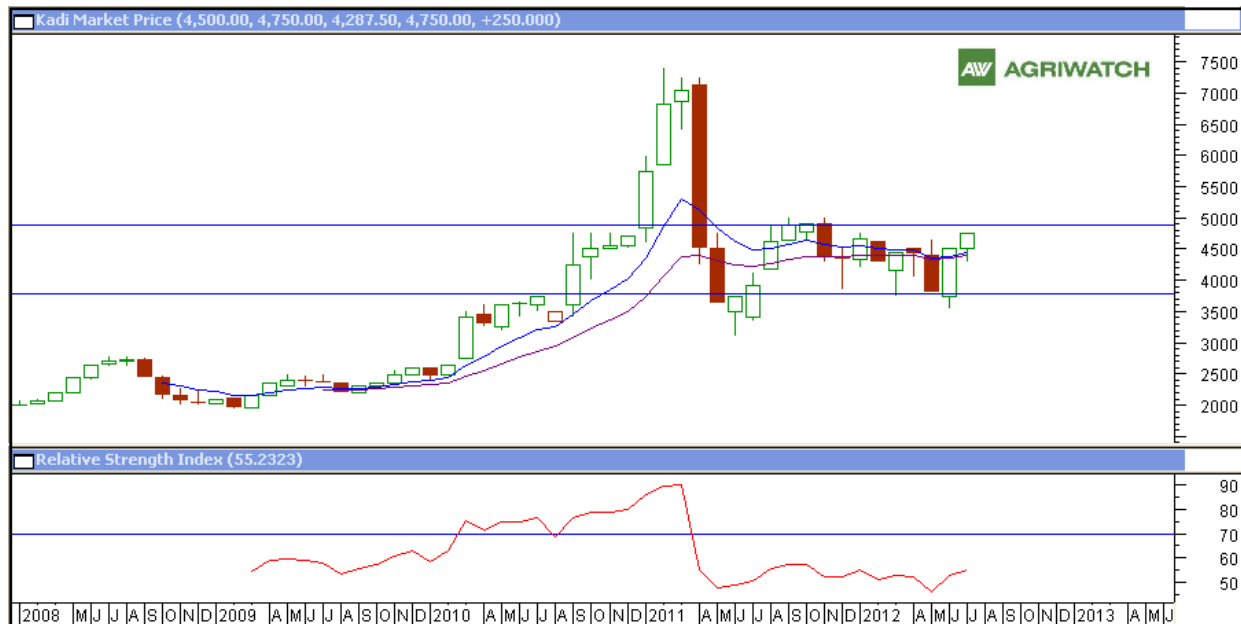
(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (12/7/2012)	Rs. Per Candy (5/7/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	41700	40300	3.47
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43000	41600	3.37
J-34(202)	26mm	3.5 - 4.9	23	33400	32900	1.52
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	34700	34500	0.58
Shankar-6(105)	29mm	3.5 - 4.9	28	35100	35000	0.29
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	38100	37500	1.60
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	39300	38700	1.55
DCH-32(107)	34mm	3.0 - 3.8	33	51500	50000	3.00

Fundamental Cotton Price Outlook for Coming Week

We expect bullish momentum in upcoming week due to continue buying activities of local spinners amid lower supplies by Ginners and Farmers. On the other hand rising Yarn and Textiles millers demand will also support cotton prices to go up in upcoming week.

Cotton Spot Prices (Kadi Market) Technical Analysis

Prices-Rs/quintal

- Hanging man candlestick pattern showed that prices moved significantly lower after the open, but rallies to close well above its low due to buying interest.
- Rangebound trading between 4125.6 to 4877.8 could be seen in upcoming in week.
- On the other hand, RSI is moving up in neutral region hints a bullish momentum in upcoming days.
- Slight up 9 & 18 days EMAs reinforcing its medium term & long term bullish momentum.
- Any near-term jump might face resistance towards the level of 4877.8 breaching it would test the level of 5006.2

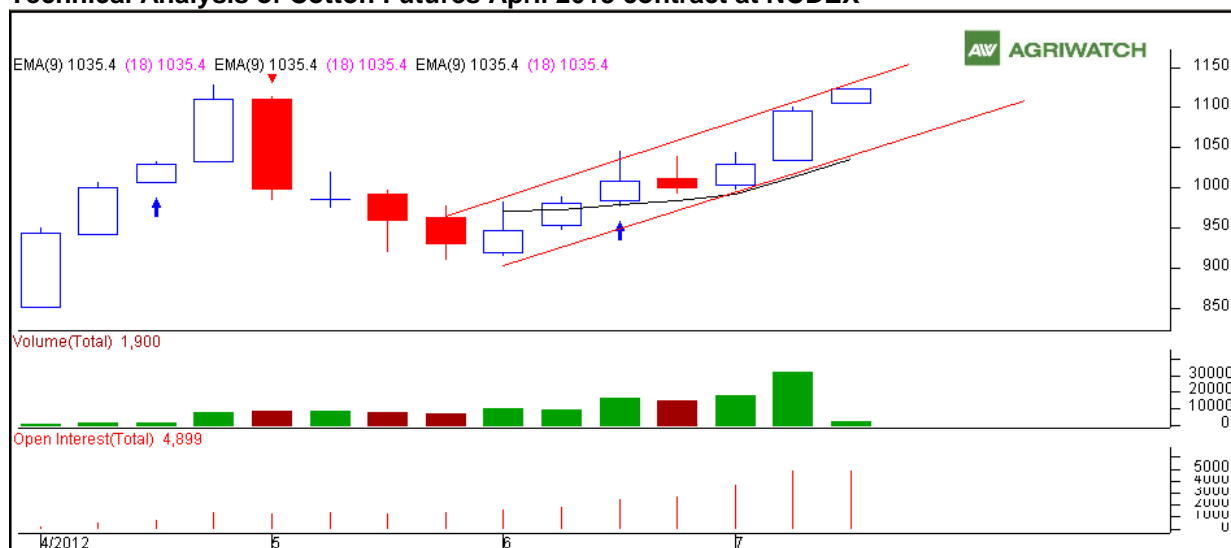
Trading Strategy: 4125.6 to 4877.8 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

Buy on dips towards price level between Rs. 4450-4500.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3905.5	4125.6	4877.8	5006.2

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 closed up due to buying supports after gap opening.
- Rising open interest & prices depicts market under long build up phase.
- Immediate resistance could be seen at 1155 crossing such level price would test second resistance level at 1166.4
- Our short term outlook on the contract is bullish. We advise to go for long positions price level around 1115-1120 and book profit near resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
1090.6	1097.3	1155	1166.4

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1109-1154	Bullish Momentum

International Market

China

Cotton crops are in budding or flowering stage in most of the places of China in July. In Xinjiang weather is favorable for cotton. While Inland received good rain in cotton areas removing the drought in South of North China, basin of Yellow and Huai Rivers, basin of Yangtze and Han Rivers, basin of Yangtze and Huai Rivers. The basin of Yellow and Huai Rivers in Anhui and Jiangsu Provinces and South of Shandong Province had too much rain, causing waterlog to cotton field, affecting the cotton growth.

The United States

Heavy rainfall occurred in cotton growing area throughout North Alabama, the Carolinas, and Virginia due to which soil condition improved. According to the National Agricultural Statistics Service estimated that boll setting had reached 70 percent in Arkansas, compared to 12 in Missouri, and 15 percent in Tennessee while the crop was rated mostly fair to good in Texas, Kansas, and Oklahoma. Overall cotton crops are progressing normally after receiving by good rain.

USDA Cotton Report: – USDA has declined projection for 2012/13 global cotton ending stocks by 3 percent on lower beginning stocks and production. World production is reduced 1.5 million bales against previous month due to decreases for India, Pakistan, and others. World cotton production is forecast at 113.8 million bales, 7 percent below the 2011 record estimate of 122.7 million bales. A reduction in India's crop of 1.0 million bales reflects lower-than-expected planted area and slightly lower yield prospects due to the monsoon delay. Total world consumption has been projected unchanged as reductions for China and the United States are offset by increases for India, Pakistan, and Vietnam.

Below Table shows US Cotton Supply and Demand:-

U.S. Cotton Supply and Demand				
Million 480-lb bales	2010/2011	2010-11 Estimates	2012/2013 Projections	
			June	July
Beginning stocks 2/	2.95	2.6	3.2	3.3
Production	18.1	15.57	17	17
Imports	0.01	0.02	0.01	0.01
Supply, total	21.06	18.19	20.21	20.31
Domestic use	3.9	3.3	3.5	3.4
Exports	14.38	11.6	11.8	12.1
Use, total	18.28	14.9	15.3	15.5
Ending stocks	2.6	3.2	4.9	4.8

Source:USDA

ICE Futures (Oct 2012 Contract) Technical Analysis



Oct Contract of ICE futures closed up due to buying pressures. Below 9 and 14 Days EMAs signify further down momentum. On the other hand, rising open Interest, volume & prices depict market under long build up phase. Prices ranged between 69.10 to 71.89 during the week. Immediate resistance level is at 74.7 breaching this may touch 77.9 during upcoming week.

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

Support 2	Support 1	Resistance 1	Resistance 2
64.91	66.61	74.75	77.97

All in USc

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