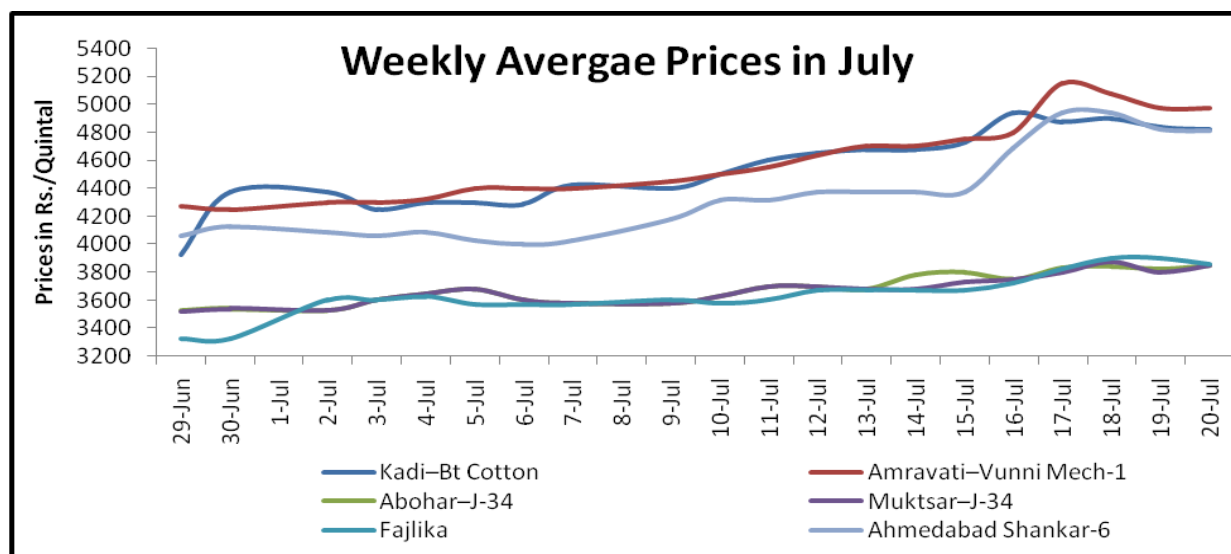


Highlights of the Week

- ❖ The cotton prices increased in the cotton spot markets amid good textile millers' demand.
- ❖ The cotton yield in Maharashtra is likely to decline around 10 to 20% due to delayed in Monsoon.
- ❖ As per PIB, India has covered total 83.2 lakh hectares of cotton sowing as on 20th July 2012.
- ❖ 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 trade in sideways to bullish in coming week in anticipation of rising textile millers demand.

Domestic Market Fundamental

The cotton markets surged supported by textile millers' demand. Depleting stocks against demand weighed on the cotton prices. Few of the big farmers are holding their stock in expectation of higher cotton prices in future. Average weekly prices started to gain since beginning of July month as shown in the below chart:-



Source: Agriwatch

The government has represented total cotton production for 2011/12 at 35.20 million tonnes in its fourth advance estimates.

Gujarat government is likely to announce new textile policy in this week to attract fresh investments in spinning.

Cotton cultivation in India, the world's second-biggest producer, is likely to fall in 2012/13 from last year, as patchy rains in key growing areas and better returns from competing crops like soybeans could

Yarn & Textile Production & Demand

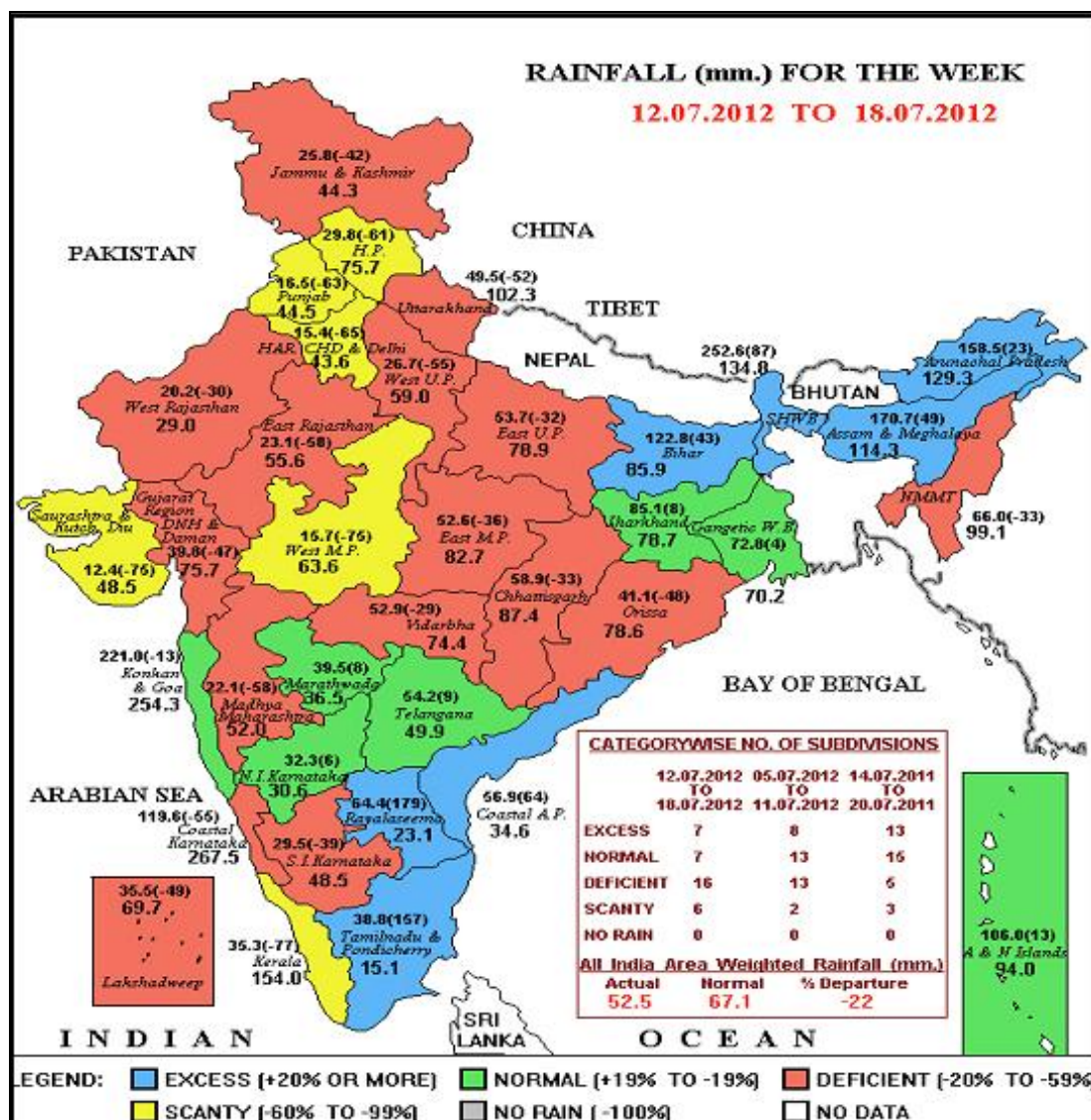
TUFS for textile sector has been extended in the 12th plan with allocation of Rs.15, 886 crore by the Commerce and textile department. Yarn buyers are not interested to buy cotton yarn on higher prices however cotton yarn prices increased due to low supplies. According to market source, South Indian mills have accumulated two months of 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 month's 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 has been covered 83.74 lakh hectare during 20th July 2012 higher against 65.22 lakh hectares in the corresponding period of time in the last year however lower from normal sowing area to 90.03 lakh hectares as per PIB. Total 36.41 lakh hectares cotton area has been sown in Maharashtra as on 20th July 2012 against 36.88 lakh hectares of previous year sowing area during same time period of time.

Weather Situation (IMD Report)

- Last week low pressure area over East Rajasthan and neighbourhood weakened and lay over West Rajasthan and adjoining area of Haryana and Punjab as an upper air cyclonic circulation on 12th July 2012 extending upto mid-tropospheric level. The circulation lay over Punjab and neighbourhood on 13th July in the lower level and became less marked on 14th July 2012. Axis of monsoon trough mainly ran north of its normal position during 12th to 16th July and further shifted northward to the foot-hills of Himalayas on 17th July and persisted over the same area on 18th July 2012.
- **Outlook for the Week Ending on 25th July, 2012**
- Increase in rainfall activity over Maharashtra, Gujarat and Rajasthan.
- Rain/thundershowers would occur at many place along west coast and over eastern states.



Source: IMD

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 20/7/2012	Previous Week 13/7/2012
Cotton	Amravati–Vunni Mech-1#	6.38	4950-5000	4700
	Kadi–Bt Cotton#	3.16	4750-4900	4600-4750
	Ahmedabad–Shankar-6#	8.33	4750-4875	4250-4500
	Gondal	-	-	2500-4550
	Rajkot-(Bt Cotton)	11.71	4175-5055	3925-4525
	Abohar–J-34*	4.62	3850	3680
	Muktsar–J-34*	4.62	3850	3680
	Fajlika#	5.03	3860	3675
	Patan-(Bt Cotton)	-3.23	4400-4500	4400-4650
	Sri-Ganganagar	4.38	3810	3650

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 20/7/2012	Previous Week 13/7/2012	
Amravati –Vunni Mech-1	7300	10500	-30.48
Kadi –Bt Cotton	255	366	-30.33
Ahmedabad – Shankar-6	47000	74000	-36.49
Gondal	1447	3487	-58.50
Rajkot-(Bt Cotton)	5564	4255	30.76
Abohar J-34*	-	60	-
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 (19/7/2012)	Rs. Per Candy (12/7/2012)	% Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	43300	41700	3.84
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	44500	43000	3.49
J-34(202)	26mm	3.5 - 4.9	23	35300	33400	5.69
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	37200	34700	7.20
Shankar-6(105)	29mm	3.5 - 4.9	28	37700	35100	7.41
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40400	38100	6.04
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40300	39300	2.54
DCH-32(107)	34mm	3.0 - 3.8	33	52500	51500	1.94

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bullish momentum in upcoming week on back of good demand from Textile millers. However, millers are not ready to buy kapas at higher level which may cap robust gain during the upcoming week. On the other hand exporters' activities are very slow in the market which will also influence to cotton prices.

Cotton Spot Prices (Kadi Market) Technical Analysis

Prices-Rs/quintal

- Continued bullish trend reflected in the cotton spot market due to buying pressures.
- On the other hand, RSI is moving up in neutral region hints a bullish momentum in upcoming days.
- Above 9 & 18 days EMAs reinforcing its medium term & long term bullish momentum.
- Any near-term jump might face resistance towards the level of 5270 breaching it would test the level of 5754.7.

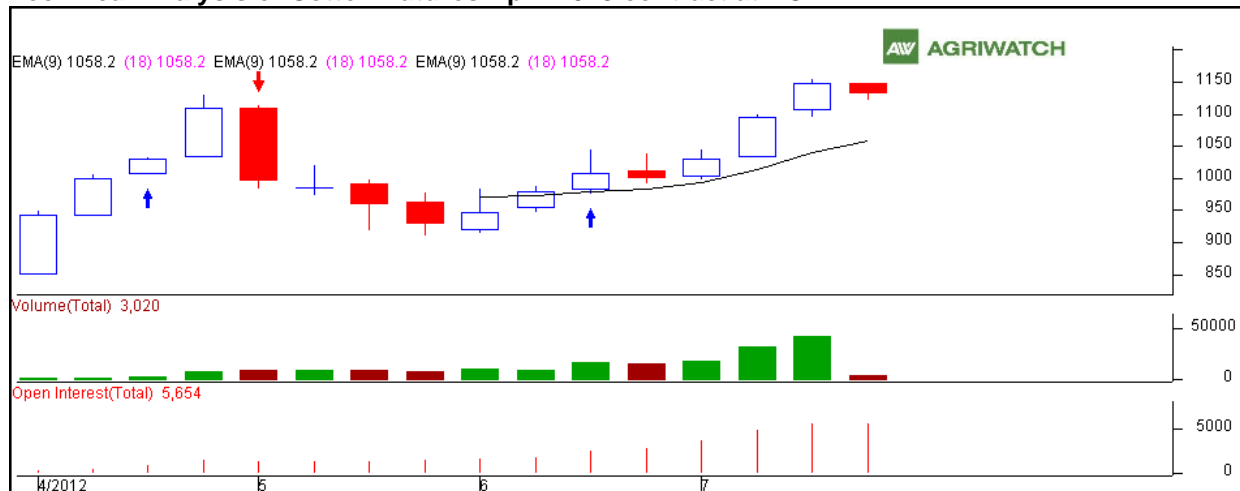
Trading Strategy: 4037.6 to 5270 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

Buy on dips towards price level between Rs. 4650-4750

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3751.4	4037.6	5270	5754.7

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 down due to selling interest.
- Rising open interest & falling prices depicts market under short build up phase.
- Immediate resistance could be seen at 1160 crossing such level price would test second resistance level at 1172.
- Our short term outlook on the contract is bullish. We advise to go for long positions price level around 1106-1160 and book profit near resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
1091	1106	1160	1172

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1106-1160	Sideways to Bullish Momentum

International Market
The United States

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 moved upward to 66.48 cents per pound for the week ended Thursday July 19, 2012 against 65.06 cents last week however down from 106.77 cents reported the corresponding period a year ago. Spot transactions stood at 9,214 bales compared to 5,774 bales of last week.

According to the National Agriculture Statistics Service, boll setting of cotton crops in Southwestern markets of US had reached 59% in Georgia, 39% in Alabama, 28% in North Carolina, 20% in South Carolina, and 10 % in Virginia.

Spot market Average for color 41, Leaf 4, Staple 34 :-

Color 41, Leaf 4, Staple 34								
Date	Southeast	North Delta	South Delta	East TX/O K	West Texas	Desert SW	SJ Valley	Average
13-Jul	69.51	68.51	68.51	63	63.25	67.01	67.76	66.79
16-Jul	70.05	69.05	69.05	63.75	64	67.55	68.3	67.39
17-Jul	67.86	66.86	66.86	61.5	61.75	65.36	66.11	65.19
18-Jul	68.6	67.85	67.85	62.5	62.75	66.35	67.1	66.14
19-Jul	69.29	68.54	68.54	63.5	63.5	67.04	67.79	66.89

As per USDA report, US cotton production for 2012/13 is unchanged at 17.0 million bales, despite a 4-percent reduction in planted area in the June Acreage report, as abandonment and yield have been adjusted based on current conditions. Forecast domestic mill use is reduced 100,000 bales based on recent activity levels. Exports are raised due to higher projected global imports and slightly reduced foreign competition.

According to USDA, Net Upland sales of 41,600 running bales for the 2011/2012 marketing year were up noticeably from the previous week, but down noticeably from the previous 4-week average.

ICE Futures (Oct 2012 Contract) Technical Analysis


Oct Contract of ICE futures continued closed up amid buying interest. RSI is marginally moving up to 34.22 in neutral region against 34.12 of previous week level hints sideways momentum in upcoming days. Prices ranged between 68.57 to 72.3 during the week. Immediate resistance level is at 73.38 breaching this may touch 75.32 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
67.02	68.01	73.38	75.32

All in USc

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