

Highlights of the Week

- ❖ Cotton prices dropped during this week due to heavy arrivals in the market during this week ending on 3rd September 2012.
- ❖ Union government announces Rs.250 cr. package for Uttarakhand textile industry development.
- ❖ According to Cotton Advisory Board, mills are likely to import 1.2 million bales in 2011-12(ending Sep 30, 2012). 0.48 million bales already have been imported.
- ❖ Textile ministry is in consideration to regulate the export of cotton. Despite cotton availability there is very less stock left for domestic consumption.
- ❖ Government raises the textile export quota to US \$40.5 billion from earlier target of US \$38 billion.
- ❖ Cotton arrivals will begin in this week from Punjab and next week from Gujarat.
- ❖ Cotton prices likely to decline marginally on lower arrivals but recent spell of rains in cotton growing areas and higher imports by mills are likely to weigh on prices.
- ❖ Cotton crop will get respite in parts of Rajasthan and Gujarat with rains, which will weigh sentiment on local prices to go down.
- ❖ All India Cotton Sowing progress, area covered under cotton 112.83 lakh hectares as on 31 August, 2012.

Domestic Market Fundamental

Cotton prices traded amid lower side with ending stock in the market, with very less cotton to buy for textile mills. All India, area under cotton is up by 6.14lakh hectares to 112.83lakh hectares as on 31st August, 2012 compared to 106.91lakh hectares during the same period last year.

Cotton stock is finished in the market due to shortage millers are importing cotton from other countries. It is notable that Indian cotton is expensive than international cotton.

Export/Import:

Government had raised the textile export quota to US \$40.5 billion from earlier target of US \$38 billion.

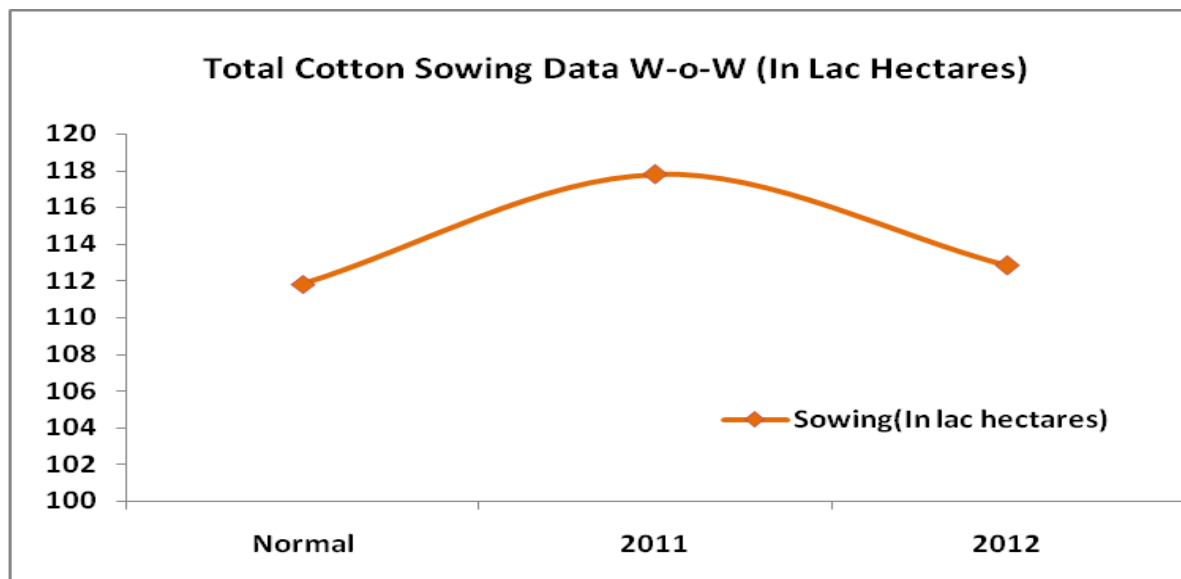
Also, Textile ministry is in consideration to regulate the export of cotton. Despite cotton availability there is very less stock left for domestic consumption.

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Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 31st August 2012

	2012-13	2011	Normal(DES)	Corresponding Week
Area Sown (In Lac hectares)	112.83	117.67	106.91	111.53



Source: Ministry of Agriculture

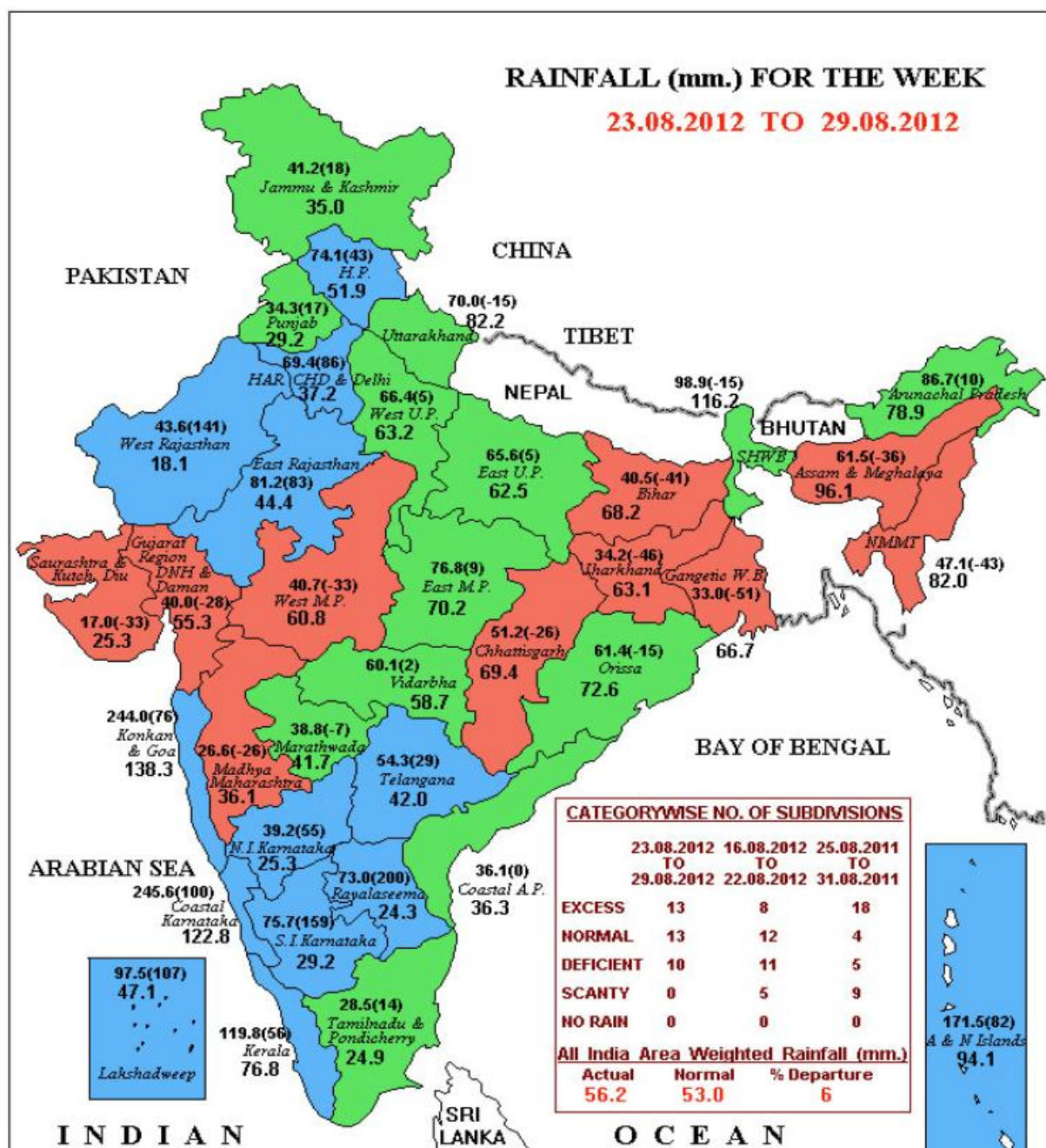
Weather Situation (IMD Report)

As per IMD, Due to presence of low pressure area and other embedded vortices, the monsoon trough remained active on most days of the last week, which caused active to vigorous monsoon conditions over parts of northwest India and south Peninsula. This week received the highest all India rainfall of this monsoon season so far that is 6% above long period average (LPA). As a result, seasonal rainfall country as a whole further improved by 2% as compared to previous week.

As per IMD has forecasted for first week of September month that, Wide spread rainfall would occur over west coast, Andaman & Nicobar Islands and Lakshadweep. Fairly wide spread rainfall would occur over northeastern states on many days of the week. Fairly wide spread rainfall would also occur over central India, Gujarat and Rajasthan during next two days and decrease in the middle of the week. However, the rainfall activity would again increase over Central India towards the end of the week. Scattered rainfall would occur over east India and northwest India during first half of the week which will increase in the second half. Scattered rainfall would also occur over southeast Peninsula on many days.

Outlook for The Week Ending on 31th August, 2012

According to IMD, Rainfall activity would also occur over southeast Peninsula on many days.



LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)
■ SCANTY (-60% TO -99%) ■ NO RAIN (-100%) NO DATA

NOTES:

(a) Rainfall figures are based on operational data.

(b) Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
 Percentage Departures of Rainfall are shown in Brackets.

Source: IMD

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 24/8/2012	Previous Week 17/8/2012
Cotton	Amravati–Vunni Mech-1#	0.52	4850	4825
	Kadi–Bt Cotton#	-	-	-
	Ahmedabad–Shankar-6#	2.04	5000	4900
	Gondal	0.80	5040	5000
	Rajkot-(Bt Cotton)	-0.60	4975	5005
	Abohar–J-34*	1.29	3925	3875
	Muktsar–J-34*	1.29	3925	3875
	Fajlika#	1.95	3925	3850
	Khandwa M.P.	-5.45	5200	5500
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	2.63	3900	3800

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 24/8/2012	Previous Week 17/8/2012	
Amravati –Vunni Mech-1	2300	2000	15
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	14000	4000	250
Gondal	3603	430	737.91
Rajkot-(Bt Cotton)	3775	530	612.26
Abohar J-34*	-	-	-
Muktsar J-34*	-	-	-
Fajlika	-	-	-
Khandwa M.P.	-	-	-
Sri-Ganganagar	-	-	-
Patan-(Bt Cotton)	-	-	-

(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 (23/8/2012)	Rs. Per Candy (17/8/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	42000	42300	-0.71
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	42800	43100	-0.70
J-34(202)	26mm	3.5 - 4.9	23	35600	35400	0.56
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	37400	37400	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	38400	38000	1.05
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40500	40500	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	N.Q.	N.Q.	-
DCH-32(107)	34mm	3.0 - 3.8	33	53500	54000	-0.93

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in upcoming week on back of higher arrivals in the market. After projected decrease in China cotton production and lower demand due to weakening economy increase of global surplus, international prices of cotton are declining flooding already saturated market. In India, the production will be higher than last year, also government is in process of framing regulation policy for cotton.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- April contract in NCDEX closed down due to new crop expected in market.
- Rising open interest with falling prices depicts market under short covering phase.
- Immediate support could be seen at 1020 crossing such level price would test second support level at 1000.
- Our short term outlook on the contract is bearish. We advise to go for short positions price level around 1057-1000.

Support and Resistance:

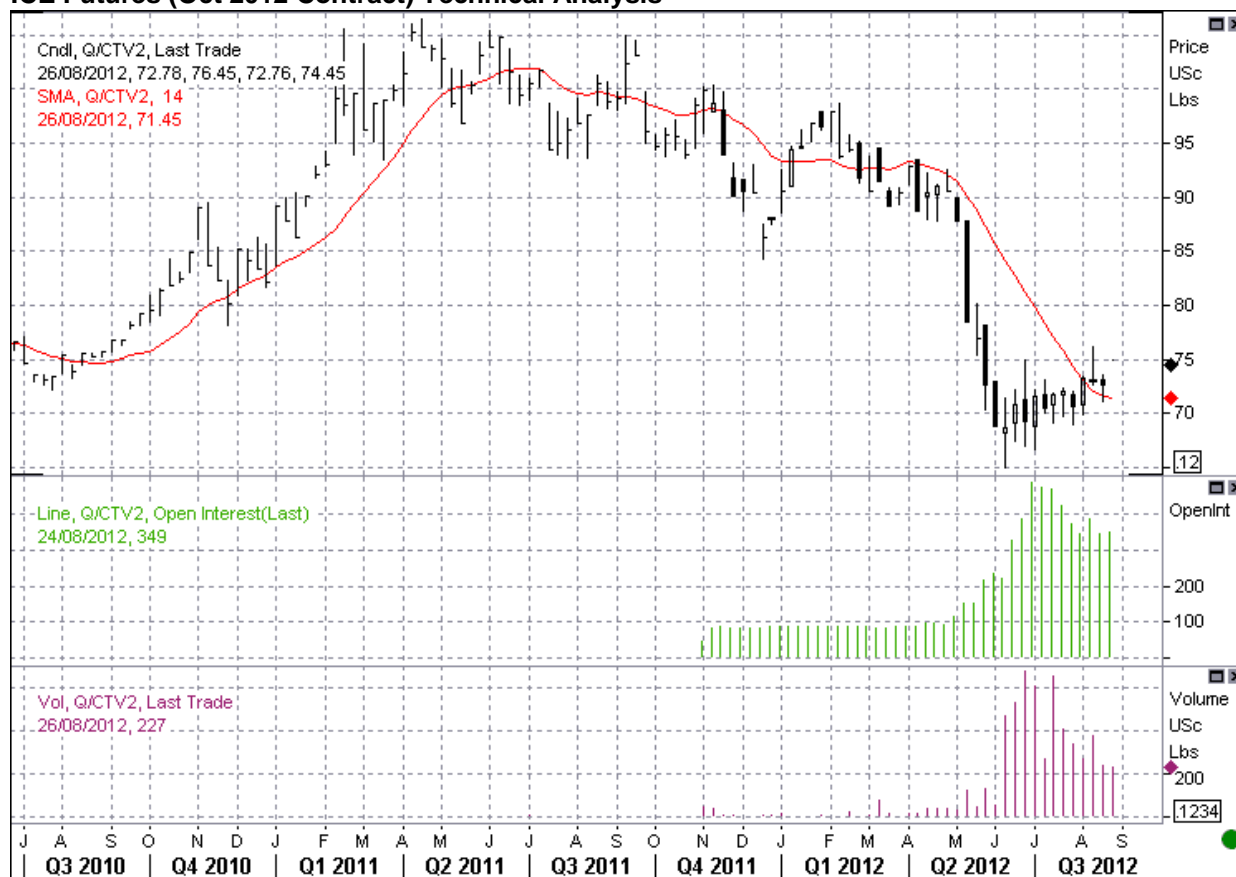
Support 2	Support 1	Resistance 1	Resistance 2
978	1020	1138	1140

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1060-1000	Sideways to Bearish Momentum

International Market

- Egypt has agreed to export 2,455 metric tonne of cotton in this week. India is the largest importer of cotton from Egypt
- According to Cotton China Association, Country output is likely to fall by 4.2 percent to 6.97 million tonnes in 2012.
- There has been severe drought in Georgia which has badly affected cotton crops.
- Increase production of cotton crop in China is affecting the prices in International Markets. Prices are declining in markets internationally
- Declining demand of cotton in China is putting pressure on inventories.
- China will start selling cotton in next week to tame down the prices in domestic market.
- Damage due to hurricane Isaac in USA has drenched main cotton producing regions, which will possibly lead to decline in stockpiles. Also, cotton farmers are switching to soybean to benefit from rising grain prices.
- US markets are also taking note of likely sale of reserve stocks by China which will put downward pressure on global prices As per USDA, Us Net Upland sales of 77,800 running bales for the 2012/2013 marketing year were primarily for South Korea (24,800 RB), Taiwan (10,900 RB), China (10,800 RB), and Turkey (8,300 RB).

ICE Futures (Oct 2012 Contract) Technical Analysis


Oct Contract of ICE futures closed on lower side due to china decision to release more cotton in the market. Prices ranged between 70.5 to 74.50 during the week. Immediate support level is at 70.50 breaching this may touch 69.2 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
68.5	70.5	75.0	76.0

All in USc

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