

**Highlights of the Week**

- ❖ Cotton prices dropped during this week due to sluggish demand in the market during this week ending on 24<sup>th</sup> September 2012.
- ❖ In past few days the rains have been good in Saurashtra, the expected 40-50 percent of this year crop available from earlier estimate of 20-25 percent.
- ❖ Andhra Pradesh has received good amount of rainfall that is likely to boost yield and productivity.
- ❖ Except for Gujarat which will make 30 percent of loss of cotton crop, all other major cotton producing states Punjab, Haryana, Andhra Pradesh will make up the losses.
- ❖ Surge in cotton prices is unlikely as supply will be good and demand is less.
- ❖ Cotton Yarn prices is likely to increase in anticipation of textiles millers demand.
- ❖ Pest has attacked cotton crops in Punjab which is ready for plucking
- ❖ Exporters are booking forward contracts of November, as prices are far below than last year due to sluggish demand and over expectation of price rise after arrivals will start.
- ❖ Cotton exports from India touched 12.7 million bales of 170 kg each in the ongoing marketing season which ends this month.
- ❖ Arrivals have started in Punjab, Haryana as harvesting began, soon farmers will bring their produce to market. But major arrivals will only begin after October 15, where actual situation of prices can be noted.
- ❖ Cotton prices are not likely to rise until fresh arrivals hit the market, as traders are waiting for the fresh crop in the market. Cotton market will continue to be sluggish.
- ❖ Cotton sowing progress, 114.94 lakh hectares have been sown in 2012-13, which is lower than previous year, due to late monsoon.
- ❖ Cotton slides downwards, as Gujarat received good rains for its standing crops. Development is likely to reduce crop loss in Gujarat.
- ❖ Market is likely to trade at lower side this week as arrivals will begin in mid-october, putting pressure on prices amid low demand.

### Domestic Market Fundamental

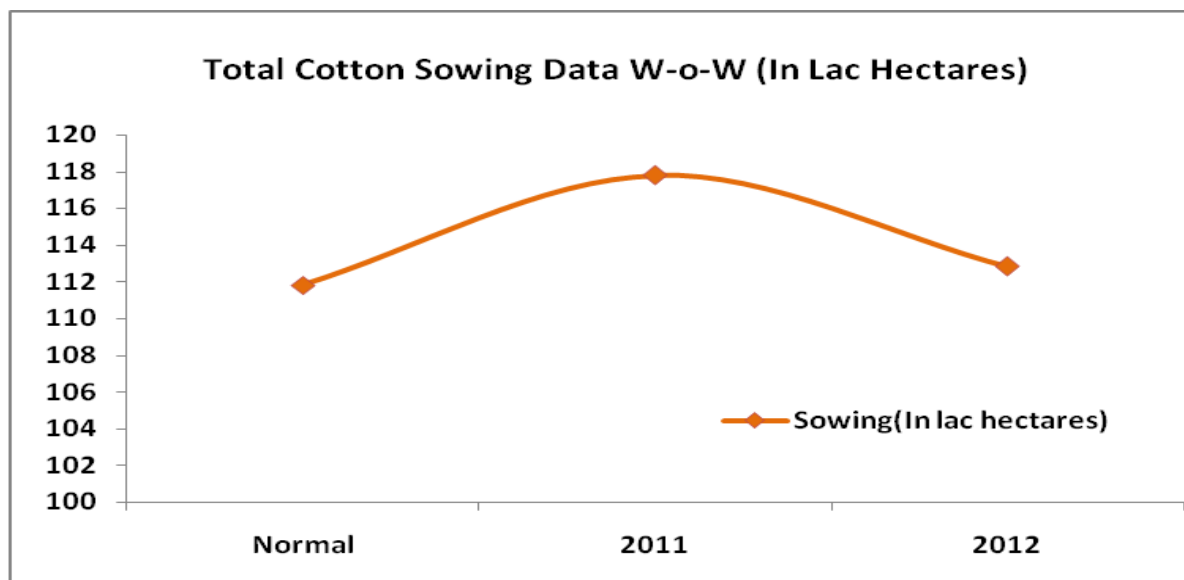
- ❖ Cotton prices traded amid lower side with traders waiting for fresh crop in the market. Prices of candy are likely to fall as arrivals are expected to be heavy. Cotton sowing progress, 114.94 lakh hectares have been sown in 2012-13, which is lower than previous year, due to late monsoon as on 21 September 2012.

Cotton supply has dried considerably thus pushing price downwards, market is waiting for new crop arrival which will begin majorly by mid-October.

#### Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 21<sup>st</sup> September 2012

	2012-13	2011	Normal(DES)	Corresponding Week
Area Sown (In Lac hectares)	114.94	117.67	106.91	111.53



Source: Ministry of Agriculture

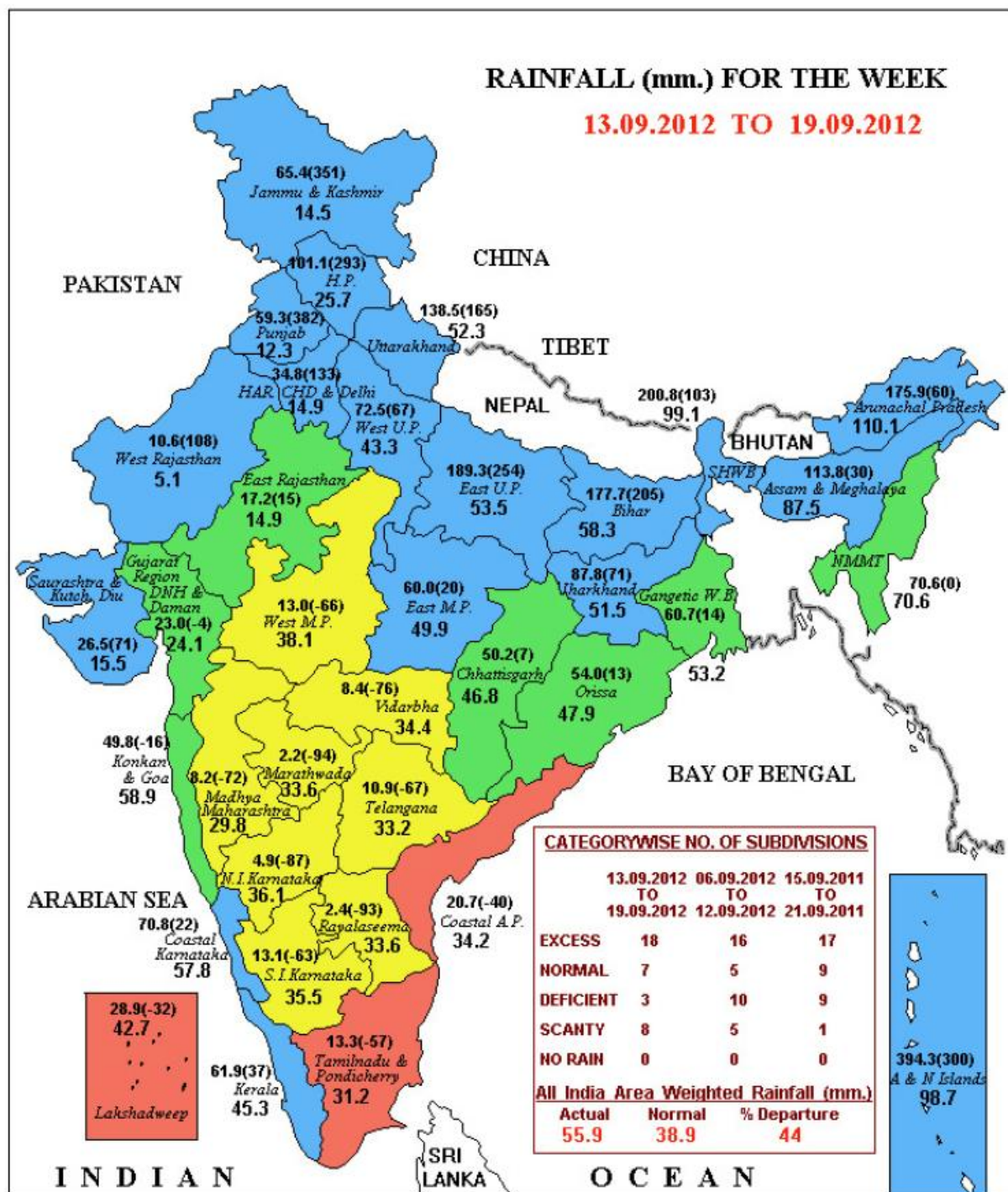
**Weather Situation (IMD Report)**

As per IMD, Monsoon trough remained active and north of its normal position during most days of the week along with strong interaction with mid-latitude western lies over Western Himalayan Region during 1st half of the week. As a result, active to vigorous monsoon conditions prevailed over the parts of northwest India and east & northeast India during many days of the week. This week Northwest India has received weekly rainfall (199% above LPA), which is highest among all the regions of the country during this monsoon season. The country as a whole received above normal rainfall during all days of the week. Seasonal rainfall for the country as a whole has further improved by 3% as compared to previous week.

As per IMD has forecasted for fourth week of September month that, Conditions are becoming favorable for withdrawal of Southwest Monsoon from many parts of northwest and west India during 2nd half of the week. Fairly widespread rainfall with isolated heavy to very heavy falls would occur over northeast India during the 1st half of the week and decrease in intensity thereafter. Fairly widespread rainfall with isolated heavy to very heavy falls would also occur over Andaman & Nicobar Islands during the week. Rainfall at few places would occur over east India and adjoining areas of central India and north Peninsula during the 1st half of the week and decrease thereafter. Isolated rainfall would occur over south Peninsula during next 4-5 days and increase thereafter towards end of the week. Mainly dry weather would prevail over remaining parts of the country.

**Outlook for the Week Ending on 21<sup>st</sup> September, 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 21/9/2012	Previous Week 14/9/2012
<b>Cotton</b>	Amravati–Vunni Mech-1#	<b>-9%</b>	4100	4500
	Kadi–Bt Cotton#	-	-	-
	Ahmedabad–Shankar-6#	<b>-4%</b>	4500	4700
	Gondal	<b>-9%</b>	4265	4695
	Rajkot-(Bt Cotton)	<b>3%</b>	4800	4680
	Abohar–J-34*	<b>-1%</b>	3700	3720
	Muktsar–J-34*	<b>-1%</b>	3700	3720
	Fajlika#	<b>-3%</b>	3620	3725
	Khandwa M.P.	<b>-22%</b>	3600	4600
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	<b>-2%</b>	3600	3680

\*-Rs/maund, #-Rs.qtl

**Cotton Cumulative Arrivals in Key Centers**

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 21/9/2012	Previous Week 14/9/2012	
Amravati –Vunni Mech-1	400	4800	<b>-92%</b>
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	3000	14000	<b>-79%</b>
Gondal	1008	655	<b>54%</b>
Rajkot-(Bt Cotton)	830	3360	<b>-75%</b>
Abohar J-34*	150	300	<b>-50%</b>
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 (21/9/2012)	Rs. Per Candy (13/9/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	39200	39200	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39800	39800	Unch
J-34(202)	26mm	3.5 - 4.9	23	32700	33400	-2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	34600	35300	-2%
Shankar-6(105)	29mm	3.5 - 4.9	28	34900	36100	-3%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	37700	39200	-4%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	39200	40300	-3%
DCH-32(107)	34mm	3.0 - 3.8	33	52200	53000	-2%

**Fundamental Cotton Price Outlook for Coming Week**

We expect sideways to bearish momentum in upcoming week on back of higher arrivals in the market. Market demand is low and supply is ample with arrivals in the Gujarat and Punjab began and arrivals from others states will begin in mid-October.

**Technical Analysis of Cotton Futures April 2013 contract at NCDEX**


- April contract in NCDEX, showed heavy fall in the market and is likely to go down. As arrivals will begin to from mid-October.
- Increasing open interest with decreasing prices depicts market under short build up phase.
- Immediate support could be seen at 860 crossing such level price would test second support level at 850.
- Our short term outlook on the contract is bearish. We advise to go for short positions price level around 920-850.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
850	860	1000	1005

**Expected Price range of Cotton Prices for next week**

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	920-860	Sideways to Bearish Momentum

**International Market**

- Cotton crop arrivals have started in Australia, Brazil and Kenya. There has been record production in these nations.
- Global cotton prices are likely to remain low in view of economic downtrend. Also reduced demand from China, world largest consumer of cotton, is likely to import 50 percent less than last year.
- US made fresh exports of 317,500 bales to China, on which NY cotton surged.
- According to USDA reports, world cotton production declined to 114 million bales which is 8 percent decline from previous year.
- Global cotton exports are expected to fall by 13.5 percent to 8.3 million tonnes in 2012-13.
- According to USDA, Chinese imports will fall by 51 percent in 2012-13 marketing year, putting pressure on global prices.
- China will stop releasing its cotton reserve by Sept 29 as this year's fresh cotton is launched onto the market, said an official from the National Development and Reform Commission.
- Global cotton production will exceed demand, more than which was forecasted by Cotlook. Global output is likely to be 3.239 million metric tonnes up from last month projection of 3.0 million metric tonnes.
- China also started stockpiling cotton to protect domestic farmers as the international prices are 40 percent lower than domestic market.
- Australia agriculture department has forecasted lower cotton production in winter crop during 2012-13
- According to USDA report, US cotton crop will be reduced by 3.1% to 17.11 million bales than earlier projected in August 2012 17.65 million bales.
- According to USDA report, estimated world cotton ending stock are raised by 2 million bales, to 76.5 million bales.

**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 and record production in Australia and USA. Prices ranged between 73.7 to 76.40 during the week. Immediate support level is at 73.7 breaching this may touch 70.38 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.38	73.7	77	78.5

All in USc

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