

Highlights of the Week

- ❖ Cotton prices noticed mixed tone during the week amid sluggish demand and lack of good quality arrivals in the spot markets.
- ❖ Normal demand and lack of selling activities supported prices.
- ❖ Domestic demand for cotton is pegged 5 percent higher at 218 lakh bales against 213 lakh bales last year.
- ❖ Cotton arrivals are likely to be delayed in the Saurashtra region of Gujarat amid lack of sufficient rainfall.
- ❖ In the current season, output of cotton in Saurashtra is likely to be 50 percent lower compared to previous year.
- ❖ Ginning activity is likely to be slow in the current season amid lack of demand and delay in arrival of good quality cotton in the market.
- ❖ Cotton production has increased from last few years due to increase in acreage but yield has remained static or lower due to lack of technology. Gujarat is likely to have yield of 610 kg/hectare for 2012-13 which is 10 kg lower than last year. All India average yields were 500 kg/hectares for 2011-12, lower than 2007-08 which was 554 kg/hectare.
- ❖ Around 50 spinning mills in the Coimbatore region have formed Cotton Sourcing Company to procure cotton at cheaper price and protect them from price irregularities in the market.
- ❖ The Company is planning to procure 18 lakh bales of cotton during this season.
- ❖ In Gujarat, moisture content in new crop arrival is around 20 -25%. Demand is less following higher moisture content in the new crop.
- ❖ Normal kapas with minimum moisture content is expected in the market by November.
- ❖ Exporters are booking forward contracts of November, as prices are far below than last year due to sluggish demand and over expectation of price arise after arrivals will start.
- ❖ Area under cotton is down by 5.20 lakh hectares to 114.94 lakh hectares as on 21st September 2012 compared to 120.17 lakh hectares during the same period last year. Higher acreage is reported in the states of Andhra Pradesh (up by 3.35 lakh ha.), Maharashtra (up by 0.47 lakh ha.), and Orissa (up by 0.12 lakh ha.) as per Ministry of Agriculture. Lower area is reported in the states of Rajasthan (down by 1.17 lakh ha.), Haryana (down by 0.02 lakh ha.), Gujarat (down by 5.56 lakh ha.), Madhya Pradesh (down by 0.98 lakh ha) and Punjab (down by 0.44 lakh ha.) and compared to same period during previous year.
- ❖ Supplies in spot markets are rising in Punjab, Haryana and Rajasthan; prices in overseas markets are low due to record stocks estimates.
- ❖ Market is likely to trade sideways to lower in the coming days amid expected increase in new crop arrivals.

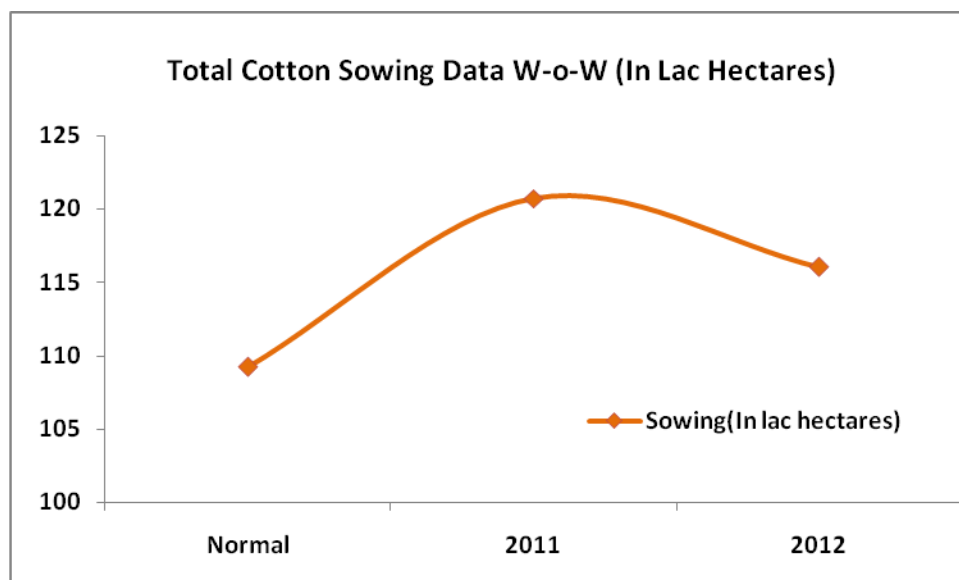
Domestic Market Fundamental

- ❖ Cotton prices noticed mixed tone during the week. Sluggish demand around current levels is weighing on the market. Millers are waiting for the arrival of good quality cotton crop. Arrival with minimum moisture content is expected by November.
- ❖ New crop arrivals are increasing from Punjab, Rajasthan and Gujarat. Festival demand amid increasing arrivals will lend some support to the market.

Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 28th September 2012

	2012-13	2011	Normal(DES)	Corresponding Week
Area Sown (In Lac hectares)	116.04	120.70	109.23	114.6



Source: Ministry of Agriculture

Weather Situation (IMD Report)

According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 24 and deficient in 12 subdivisions during this season, June -September. In area-wise distribution, 70% area of the country received excess/normal rainfall. Remaining 30% area received deficient rainfall. For the country as a whole, seasonal rainfall up to 26 September was 07% below the LPA as against 05% by the end of last week ending 19 September. According to IMD, rainfall is expected at certain places in south peninsular India, north –eastern states and weather is expected to be dry in other parts during the week.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 12/10/2012	Previous Week 06/10/2012
Cotton	Amravati-Vunni Mech-1#	9%	3700	3400
	Kadi-Bt Cotton#	-	4200	-
	Ahmedabad-Shankar-6#	-1%	4200	4250
	Gondal	5%	4310	4095
	Rajkot-(Bt Cotton)	3%	4350	4230
	Abohar-J-34*	-1%	3350	3400
	Muktsar-J-34*	-1%	3350	3400
	Fajlika#	17%	4100	3500
	Khandwa M.P.	-9%	3100	3400
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	Unch	3440	3440

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 12/10/2012	Previous Week 6/10/2012	
Amravati -Vunni Mech-1	800	700	14%
Kadi -Bt Cotton	3000	-	-
Ahmedabad - Shankar-6	8000	7000	14%
Gondal	947	778	22%
Rajkot-(Bt Cotton)	2210	2350	-6%
Abohar J-34*	600	300	100%
Muktsar J-34*	600	250	140%
Fajlika	1200	700	71%
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 (11/10/2012)	Rs. Per Candy (06/10/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	37300	36100	3%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37600	36600	3%
J-34(202)	26mm	3.5 - 4.9	23	31300	31000	1%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32500	32600	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	33300	33200	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35200	35200	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35500	36000	-1%
DCH-32(107)	34mm	3.0 - 3.8	33	46500	48000	-3%

Fundamental Cotton Price Outlook for Coming Week

We expect cotton prices to witness sideways to bearish tone in the coming days amid expected increase in arrivals in the coming days. Downside could be limited amid festival demand in the near – term. Arrivals are increasing from Gujarat, Rajasthan, Punjab and Haryana.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX



Rs/per 20 kgs

- April contract in NCDEX, denotes buying interest in the market around current levels.
- Increasing volumes and open interest add to the positive tone of the market.
- Immediate support could be seen at 905 crossing such level price would test second support level.
- Our short term outlook on the contract is sideways to bearish. We advise to go for short positions around 950-960 levels.

Support and Resistance:

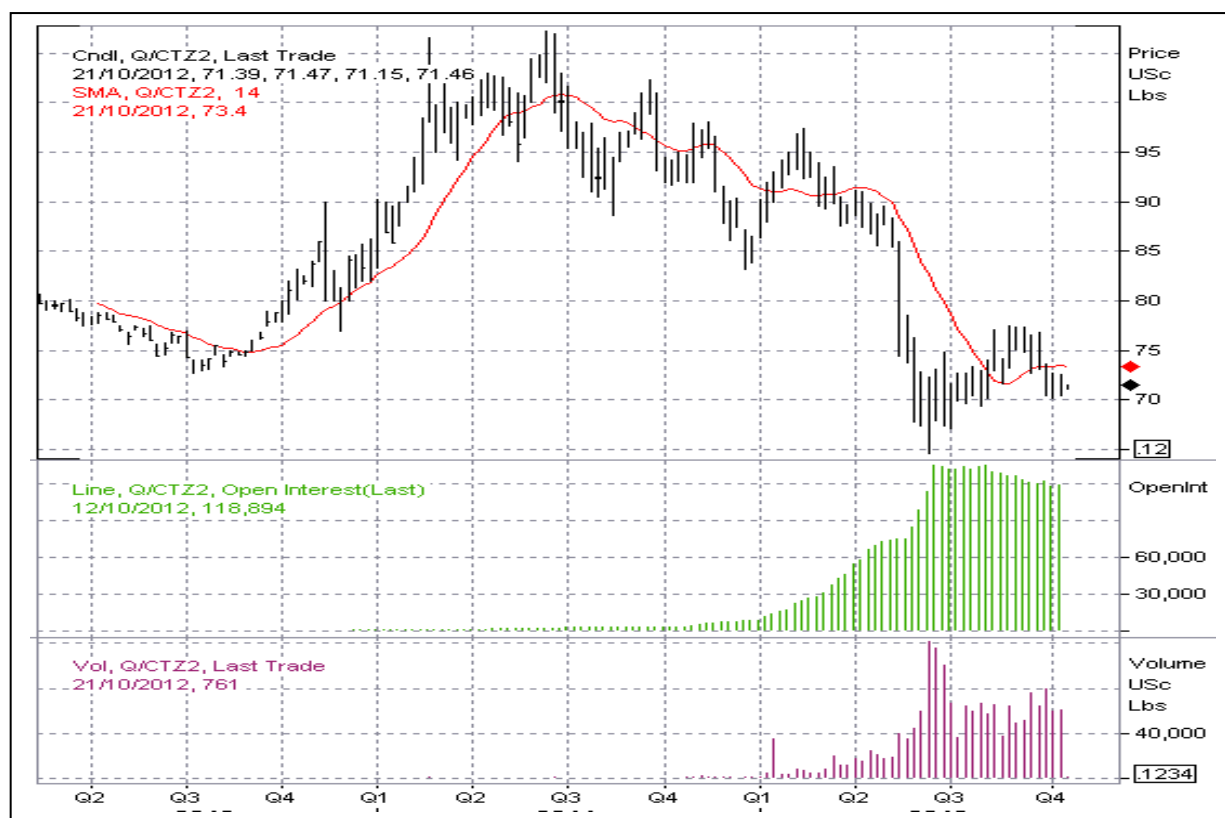
Support 2	Support 1	Resistance 1	Resistance 2
860	890	970	990

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	910-960	Sideways to Bearish Momentum

International Market

- Global cotton prices are likely to fall by 11 percent amid higher output and lesser demand.
- Global output is likely to be at 76 million bales for year ending in July next year.
- Heavy Rain in USA in cotton growing parts is likely to hurt cotton quality and output. Standing cotton crops which are ready to harvest have suffered due to rains. This is likely to affect market to rise in spot and futures market.
- China will issue low tariff import quotas for 894,000 metric tonnes of cotton in 2013.
- Pakistan is likely to miss the target of 15 million bales for 2012-13 and is likely to harvest 13.5 million bales.
- According to trade officials, floods in the cotton producing states of Pakistan affected around 1.5 million cotton bales.
- According to USDA, around 21 percent of the crop has been harvested as on 7th October 2012 compared to four –year's average of 22 percent.
- According to industry sources, output of cotton is likely to decline by 4.2% to 6.9 million metric tonnes in China this year.
- According to USDA, global inventory forecast for the season to end-July 2013 increased by 3.4 percent to a record of 79.11 million 480-lb bales due to a combination of sharply higher production and reduced consumption.
- Net Upland sales of 121,000 running bales for the 2012/2013 marketing year were down 49 percent for the week ending on 12th October compared to previous week.
- .Australia cotton area is projected to decline by 14 percent in 2012-13 to 5.15 lakh hectares.

ICE Futures (Dec 2012 Contract) Technical Analysis


December 2012 Contract of ICE futures closed on lower side following profit -booking. Prices ranged between 70.41 to 72.53 during the week. Immediate support level is at 69.40 breaching this may touch 67.00 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
67.35	69.40	73.70	75.2

All in cents/pound

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