

### Highlights of the Week

- ❖ Yarn production is expected to grow by 6.8 percent from 5.9 percent earlier estimated, according to CMIE. This is mainly due to value added exports to China, which has reduced cotton import but has raised yarn imports.
- ❖ Cotton prices are surging due to rise in buying from the millers which are riding on higher demand from the market due to festive season, in which demand from garments increase.
- ❖ Cotton prices are likely to fall in November due to higher supplies that are expected in the market and the festive off take by the millers.
- ❖ Cotton off take is low amid low buying from exporters and millers. Demand is expected to pick up after Navaratri festival, in exports.
- ❖ Andhra Pradesh market is expecting to procurement of cotton by CCI and NAFED to begin soon, this has raised prices for the crop which was being purchased below MSP levels. Also, after the announcement, cotton prices jumped above MSP.
- ❖ Cotton prices are rising as farmers are not willing to sell at lower levels and reports of exports to china, also poor quality cotton arrivals in market also boosted price sentiments.
- ❖ Exports target of cotton has dipped 46 percent to 7 million bales for this 2011-12, by CAB.
- ❖ Cotton exports are not going to be affected by China's decision for not selling huge cotton reserve it has created.
- ❖ Lack of good quality arrivals weighed on prices.
- ❖ In certain markets of Maharashtra, demand was witnessed for cottonseed.
- ❖ Lack of selling activities will lend some support to the market.
- ❖ Millers are buying in limited quantity and there were no fresh export orders.
- ❖ We expect domestic cotton prices to notice steady to firm tone amid good quality crop arrival.

### Domestic Market Fundamental

- ❖ Cotton prices moved from steady to lower side during the week. 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.
- ❖ New crop is trending below MSP, state and centers are gearing up for the procurement of the cotton from the market for this season. Due to which millers, places where procurement is about to begin, have raised prices just above MSP levels.

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 26/10/2012	Previous Week 19/10/2012
<b>Cotton</b>	Amravati–Vunni Mech-1#	5%	4200	4000
	Kadi–Bt Cotton#	1%	4400	4350
	Ahmedabad–Shankar-6#	5%	4500	4300
	Gondal	3%	4650	4500
	Rajkot-(Bt Cotton)	2%	4550	4450
	Abohar–J-34*	-1%	3475	3500
	Muktsar–J-34*	-1%	3475	3500
	Fajlika#	-4%	4100	4250
	Khandwa M.P.	2%	4300	4200
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	-2%	3410	3470

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

**Cotton Arrivals in Key Centers**

Centre	Weekly Arrival		% Change
	Current Week 26/10/2012	Previous Week 129/10/2012	
Amravati –Vunni Mech-1	2000	4900	-59%
Kadi –Bt Cotton	15000	9000	67%
Ahmedabad – Shankar-6	53000	45000	18%
Gondal	5137	5217	-2%
Rajkot-(Bt Cotton)	10560	13832	-24%
Abohar J-34*	4800	2900	66%
Muktsar J-34*	1750	1400	25%
Fajlika	1800	1200	50%
Khandwa M.P.	-	-	-
Sri-Ganganagar	500	-	-
Patan-(Bt Cotton)	2000	4900	-59%

(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 (25/10/2012)	Rs. Per Candy (18/10/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	41900	40700	3%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	42200	41000	3%
J-34(202)	26mm	3.5 - 4.9	23	31700	31800	Unch
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33300	32800	2%
Shankar-6(105)	29mm	3.5 - 4.9	28	33900	33700	1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34800	35100	-1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35500	35500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	45500	45500	Unch

**Fundamental Cotton Price Outlook for Coming Week**

We expect cotton prices to witness sideways to bullish 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.

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


Rs/per 20 kgs

- April contract in NCDEX, denotes selling interest in the market around current levels.
- Decreasing volumes and open interest add to the neutral tone of the market.
- Immediate resistance could be seen at 989 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 990-970 levels.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
971	989	1031	1056

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	990-970	Sideways to Bearish Momentum

**International Market**

- Egypt has agreed to export 566 tonnes of cotton in the week ending on October 18, 2012. Till latest information Egypt has exported 5437 tonne of cotton.
- USA and Pakistan are the only major Cotton producing countries where cotton production is expected to rise from previous year. While USA is battling from its lower quality cotton in first China Cotton production by USDA is slightly up at 31.50 million bales from previous of 31 million bales.
- USDA has raised opening stock of India to 129 lakh bales for 2011-12.
- China cotton reserve is now over a million tones also international prices are going up.
- Uzbekistan has harvested 3.35 million tonne of cotton this year. 90 percent of this is a high quality crop.
- China Cotton production by USDA is slightly up at 31.50 million bales from previous of 31 million bales
- Global cotton output has been raised by 2.8 million bales and consumption lowered by 680,000 bales. All major producing countries China, Pakistan, India and USA have raised their estimated.
- USA has exported 34,500 bales for 2013-12, mainly to China.
- China cotton reserve is now over a million tones also international prices are going up.
- USA cotton futures increased in few days due to quality of cotton already harvested has been low. Also, the inventory of good quality cotton is from previous years.
- Egypt agreed to export 783 metric tons of cotton in the week through Oct. 11, according to the Alexandria Cotton Exporters Association. The country has shipped 4,871 tons of the fiber, valued at 10.87€ million, since Sept. 1 according to the association.

## ICE Futures (Dec 2012 Contract) Technical Analysis



December 2012 Contract of ICE futures closed on lower side. Prices ranged between 72.06 to 77.63 during the week. Immediate support level is at 72.0 breaching this may touch 68.2 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.0	70.05	78.0	78.5

All in cents/pound

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