

Highlights of the Week

- Cotton prices continued to noticed steady to weak tone in various mandis amid huge arrivals.
- Exports are pegged at 7.5 million bales for current cotton season.
- Cotton arrivals are strong in major markets across country, in Khadgaon, Madhya Pradesh; good demand is reported from millers and exporters. Prices are trading below MSP.
- Cotton in mandis is of good quality with moisture contents of 8-9%.
- Prices of kapas are likely to remain Rs 850 to 950 per 20 kg for Nov-2012 & Jan-2013.
- Increasing arrivals and Cotton exports stood at 4.5 lakh bales as of November 5, 2012 and Exports for 2011-12 cotton seasons at 129 million bales.
- Demand remains normal in the market around current levels.
- Some demand was witnessed from ginnners in North India.
- Buyers are waiting for better buying levels in the medium –term.
- Lower demand from the textile industries will weigh on prices in the coming days.
- Last year arrivals around this time of the year were 2 lakh bales, while present levels are around 1.5 lakh bales.
- Imports are halted as arrivals in markets have begun. Also exports may touch 1.5 lakh bales by mid- December.
- Currently exports are going to Bangladesh at 82 cents which is higher than international prices due to good demand.
- Government has procured 20.74 lakh quintals of cotton at minimum support price (MSP) in 2012-13. To stabilize prices government had announced procurement of 90 lakh bales at MSP this year.
- Daily arrivals in Andhra Pradesh are about 40,000 bales.
- DGFT has raised cap for cotton export registration to 30,000 bales which was 10,000 earlier and 3,000 for new exporters which was 1,500 bales earlier. Prices in international markets are about the same to less so the impact would not be substantial.
- Yarn Demand from Bangladesh is supporting prices and contracts of nearly 1 million bales are signed. Also yarn exports registrations have been doubled from last year in same period.

Cotton prices traded amid steady to higher side with higher buying support from the domestic mills. According to Cotton Advisory Board, cotton consumption is expected to be at 240 lakh bales for current season. Also, the Indian carry over stock is expected to be higher than last year, as demand is according to the production. Global cotton availability has been in excess of demand and the imported cotton is found to be four to five cents/pence cheaper than the domestic cotton.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 07/12/2012	Previous Week 30/11/2012
Cotton	Amravati–Vunni Mech-1#	-2%	4025	4100
	Kadi–Bt Cotton#	1%	4350	4300
	Ahmedabad–Shankar-6#	Unch	4350	4350
	Gondal	-1%	4310	4375
	Rajkot-(Bt Cotton)	-1%	4300	4360
	Abohar–J-34*	3%	3510	3405
	Muktsar–J-34*	Unch	3500	3500
	Fajlika#	-2%	3400	3470
	Khandwa M.P.	-1%	4125	4150
	Sri-Ganganagar	Unch	3450	3450

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 07/12/2012	Previous Week 30/11/2012	
Amravati –Vunni Mech-1	13700	4000	243%
Kadi –Bt Cotton	210000	175000	20%
Ahmedabad – Shankar-6	210000	141500	48%
Gondal	9232	5202	77%
Rajkot-(Bt Cotton)	9775	13600	-28%
Abohar J-34*	56000	4600	1117%
Muktsar J-34*	Unch	-	-
Fajlika	9400	13200	-29%
Khandwa M.P.	17500	9500	84%
Sri-Ganganagar	34000	30000	13%

(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 (06/12/2012)	Rs. Per Candy (29/11/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	36100	38000	-1500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36600	38500	-1500
J-34(202)	26mm	3.5 - 4.9	23	32200	31800	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32800	32800	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	33400	33500	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34000	34400	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34700	34800	-200
DCH-32(107)	34mm	3.0 - 3.8	33	45000	44800	-400

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. Downside could be limited amid increasing 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.
- Decreasing volumes will add to the weak tone of the market.
- There is ascending triangle formation in the above chart and closing of price above Rs. 980 levels will denote a target of Rs.990 levels on the up side in the medium -term.
- Immediate resistance could be seen at 987 crossing such level price would test second resistance level. Prices are likely to trend towards the support levels of 951.
- Our short term outlook on the contract is sideways to bullish. We advise to go for short positions around 990 levels.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
928	951	995	1005

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	960-990	Sideways to Bullish Momentum

International Market

- ICE futures increased by ending 3.5 percent higher in November amid speculations.
- Pakistan spot markets saw very low volume of trade in markets as ginners are not willing to sell at lower price and traders are not giving up at those price levels.
- Pakistani cotton price are at Rs. 5820(Pakistani Rupee), millers are reluctant to buy low grade cotton at high price. However, short time markets actors for immediate priority.
- Bangladesh has requested India to ensure export of 1.5 million bales of cotton.
- Cotton futures at NYMEX closed higher amid short –covering.
- Prices in Pakistan firmed up following lower arrivals in the country. Expected good demand for cotton yarn from China will support prices.
- According to ICAC, in the current 2012-13 marketing year, cotton production is expected to be around 26.1 million tons, while consumption is forecast to rise 3% to 23.5 million tons over the same period.
- The forecast for output of 4 million bales of cotton in the 2012-13 marketing year, which started in August, is down a further 6% according to sources in Australia.
- China cumulative procurement since September 8 has touched 35.3 lakh tons.
- Australian cotton is likely to suffer a quarter losses in production for next season due to lower prices for this year and competition from other crops which had been paying well.
- Global stocks, after an increase for three years in a row, stocks could contract by 6 percent.
- Cotton Futures pierced 74 cents per lb in early trading for the first time since October 23 on speculation as China's manufacturing sector showed positive movement in 13 months.
- China cotton production estimates have raised estimates to 6.9 million tonnes for current year 2011-12.
- Pakistan current cotton arrivals have reached 9.58 million bales by Dec. 1,2012, which is 1 percent lower than last year arrivals at same time last year.

ICE Cotton Futures (March 2013 Contract) Technical Analysis



March 2012 Contract of ICE futures closed on lower side. Prices ranged between 72.43 to 74.41 during the week. Immediate support level is at 72.30 breaching this may touch 70.1 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.1	73.2	75.2	75.8

All in cents/pound

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