

Highlights of the Week

- Cotton prices notice slight rise in prices amid demand for cotton yarn and rising arrivals.
- According to India Rating agency the cotton prices are going to be stable at current levels or fall by 5-10percent. Consumption to production ratio is low with current global inventories ration estimated at 71 percent.
- Cotton yarn exports are expected to touch 100 million kg in 2012-13 on heavy demand from China. This is a bumper year for the industry. Domestic production of cotton yarn from April-November 2012 stood at 2,317 million kg, 14 percent higher to same period last year.
- CAB has raised cotton export estimate to 80 lakh bales from 70 lakh bales earlier projected. Cotton imports were also rising; against the earlier estimate of 12 lakh bales, these were now expected to stand at 20 lakh bales.
- Prices are expected to rise on export demand in coming week.
- Traders are expecting demand from Southeast Asia that could compensate for Chinese demand.
- Arrivals in this season have been around 170 lakh bales, with Gujarat major contributor with 42.5 lakh bales, 39.5 lakh bales from Andhra Pradesh, 32 lakh bales from Maharashtra.
- Cotton prices increased in Gujarat, over fresh buying from millers and exporters. Prices after coming down in this week are expected to increase in coming next week, if demand from exporters continues in the market.
- Cotton consumption by non-SSI mill stood at 1.928 million bales during November, 2012 and SSI mill consumption was at 184,000 bales up 8.2 percent compared to same period last year, as per textile commissioner.
- Cotton Association of India has come out with higher outlook in carryover stocks at 147.46 lakh bales.
- Exports in 2012-13 are estimated to be at 57 lakh bales by USDA report.
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- According to Indian Cotton Association, Gujarat is likely to produce 85 lakh bales of cotton in 2012-13. They have estimated country production to 325 lakh bales, Maharashtra at 80 lakh bales, Andhra Pradesh with 68 lakh bales, and Punjab, Haryana and Rajasthan at 57 lakh bales, M.P with 16 lakh bales, T.N would give 5 lakh bales another 2 lakh bales from orrisa in 2013-13

Weekly Outlook: Buying from millers are expected normal and prices likely to rise as demand from export is expected to rise.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 01/2/2013	Previous Week 25/1/2013
Cotton	Amravati–Vunni Mech-1#	1%	4050	4025
	Kadi–Bt Cotton#	-1%	4200	4250
	Ahmedabad–Shankar-6#	Unch	4350	4350
	Gondal	-	4300	Closed
	Rajkot-(Bt Cotton)	Unch	4325	4325
	Abohar–J-34*	2%	3660	3600
	Muktsar–J-34*	2%	3660	3600
	Fajlika#	1%	3630	3585
	Khandwa M.P.	-	4120	Closed
	Sri-Ganganagar	-1%	3525	3550

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 01/02/2013	Previous Week 25/01/2013	
Amravati –Vunni Mech-1	15000	22500	-33%
Kadi –Bt Cotton	240000	320000	-25%
Ahmedabad – Shankar-6	250000	262000	-5%
Gondal	11421	9358	22%
Rajkot-(Bt Cotton)	22410	25880	-13%
Abohar J-34*	4600	6900	-33%
Muktsar J-34*	-	-	-
Fajlika	10000	10700	-7%
Khandwa M.P.	21500	55000	-61%
Sri-Ganganagar	31000	35000	-11%

(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 (31/01/2013)	Rs. Per Candy (24/01/2013)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	33700	33400	1%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34200	33900	1%
J-34(202)	26mm	3.5 - 4.9	23	33600	32800	2%
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	33500	32800	2%
Shankar-6(105)	29mm	3.5 - 4.9	28	34100	33600	1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34700	34100	2%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35600	35000	2%
DCH-32(107)	34mm	3.0 - 3.8	33	45000	45000	Unch

Fundamental Cotton Price Outlook for Coming Week

We expect cotton prices to witness sideways to bearish tone in the coming days amid expected rise in arrivals. Downside could be limited amid increasing demand in the near –term.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX



Rs/20 kgs

- April contract in NCDEX, denotes selling interest in the market.
- Decreasing volumes will add to the weak tone of the market.
- Prices are moving range bound and breached strong support of Rs. 895
- Immediate support could be seen at 895 touching such level price could slide further to 890.
- Our short term outlook on the contract is sideways to bearish.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
890	895	930	935

Expected Price range of Cotton Prices for next week

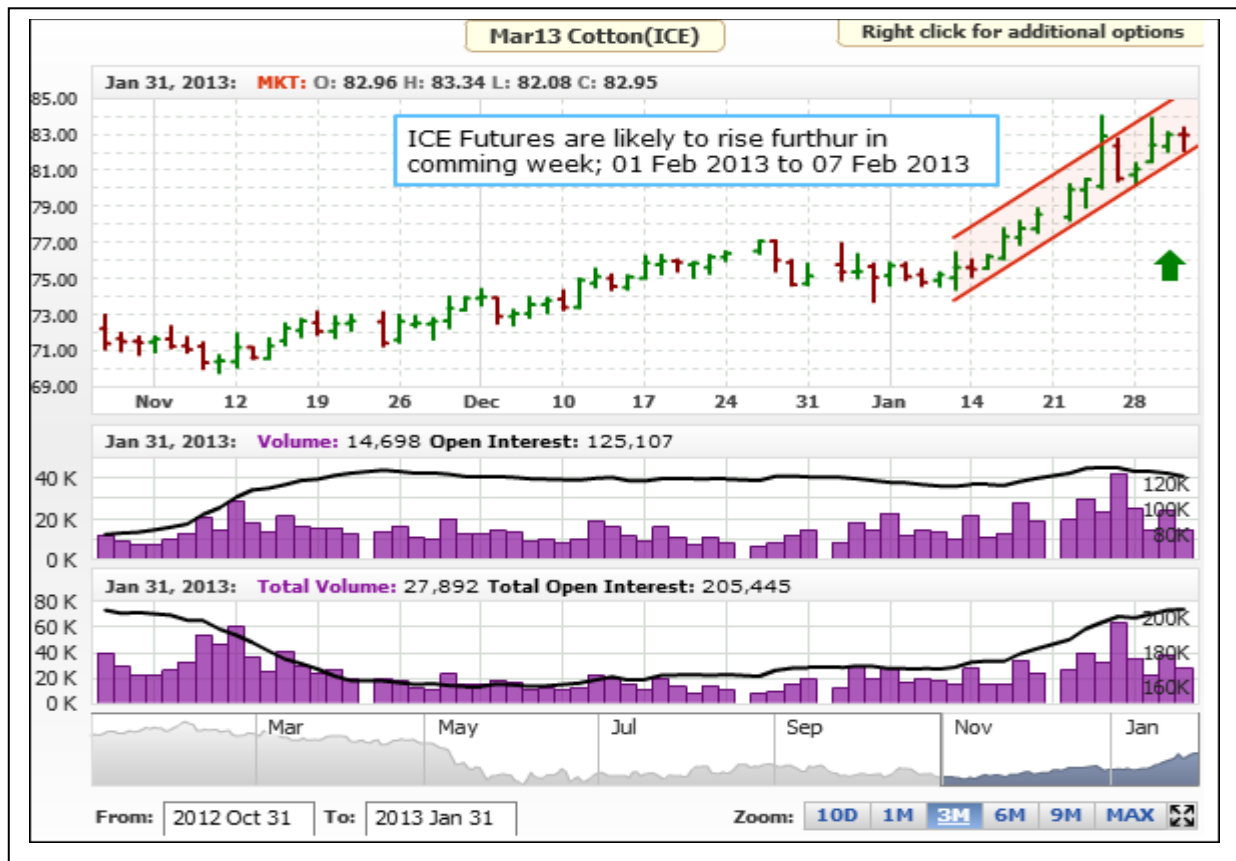
Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	910-890	Sideways to Bearish Momentum

International Market

- Pakistan has lost \$1 billion exports orders by textile industry due to shortage of power, which is 30-40 percent of exports. This has given Indian companies a window to rise in export orders. In December 100 million kg was exported.
- Egypt came to agree to export additional 800 metric tons of cotton by Jan.24. India is top importer of Egyptian cotton for manufacturing of luxury textile. 33,915 tons of the fiber, valued at \$97.6 million, since Sept. 1
- 30 percent of cotton yarn is exported to China, 16 percent to Bangladesh. This year Bangladesh cut its imports by 3-4 percent. Pakistan yarn production has fallen by 30-40 percent due to power shortage.
- Bangladesh is inking a deal with India to procure 15 lakh bales every year.
- Egypt has agreed to export 1978 metric tons of cotton ended on Jan 17, 2013. The country has shipped 33,115 tons of the fiber, valued at \$95.1 million, since Sept. 1 2012. India is top importer of Egyptian cotton.
- Pakistan production may jump up from 13.3 million bales of earlier projected.
- US Cotton future jump to 7 months high as speculations bet of robust demand from China from February and March.
- Pakistan total cotton arrivals to ginners and millers had touches 12.02 million bales, which is 6.29 percent less than previous year. Mills are struggling from energy crisis, which has affected the export.
- China cotton output increased by 3.2% to 6.84 million tons as per National Bureau of Statistics, China.
- USDA forecast, China to reduce the imports by 53% which may be affecting international prices to reduce.
- USA Cotton acreage is expected to decrease by 21% to 9.73 million hectares due to crop shift to corn and soybean crops as they are giving higher returns than fiber crop.
- Cotton futures jumped on signs that demand is improving in China. As cotton sold from huge reserve is not of good quality and is being rejected by traders and spinners.

Future Trend in International Markets

ICE Cotton Futures (March 2013 Contract) Technical Analysis



March 2013 Contract of ICE futures closed on up side. Prices ranged between 84.40 to 78.94 during the week. Immediate resistance level is at 85 breaching this may touch 87 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
77.30	78.40	84.41	85.51

All in cents/pound

Source: MRCI

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