

Price Drivers

- ❖ Government has started registrations for export of the unshipped quantity of cotton.
- ❖ Rising demand and declining production in China.
- ❖ Lower production for India during 2010-11 season.
- ❖ Higher yield expected in the Panhandle and South Plains region in the U.S.
- ❖ Australia's Queensland area to produce good crop amid rains.

Fundamental Analysis

- ✓ Most markets remain steady to firm on Monday as arrivals remain on the lower side.
- ✓ Markets remained firm amid reports of higher yield reported for the 2010 cotton crop.
- ✓ Markets saw firm sentiments after government today started fresh registrations for export of 2.5 million cotton bales within the overall limit of 5.5 million bales. The last date for exports is February 25th 2011.
- ✓ Sources added that markets globally could continue its upward momentum due to the demand-supply gap which was mainly attributable to the rising demand from China and low production in Pakistan due to heavy rains.
- ✓ Markets remained positive after SICA said that Output of cotton during 2010-11 is going to touch 30.8 million bales which lower compared to 32.548 million bales of cotton made by the Cotton Advisory Board.
- ✓ Reports in entire Panhandle and South Plains region in the U.S is expected to produce its second largest crop on record at about 5.48 million bales.
- ✓ Markets also moved higher amid recent floods in Australia's Queensland State have devastated some crops in the region and surrounding areas.
- ✓ Cotton Australia said on Monday that overall production for the season is likely to touch a record 4.2 million bales, with cultivation taking place on 665,000 hectares.
- ✓ ABARE also said that country's production for the 2010-11 season is estimated to be around 894,000 metric tonnes, as against 387,000 tonnes during last season.
- ✓ Markets also moved higher after soaring global demand for cotton mainly from the side of China may outdo its supply.

Cotton market may move higher as production estimates have gone down for 2011 season. However in the longer run price trend may depend on availability and demand from China and India.

Prices (Rs/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	4350-4850	+150	54425
Amravati (Maharashtra)	Vunni Mech1	4400-4550	-	800
Ahmedabad (Gujarat)	Shankar	4375-4600	-	50000
Sirsa (Haryana)	J-34	4440	-	600
Abohar (Punjab)	J-34	4500	-	600
Muktsar (Punjab)	J-34	4535	-90	250

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 31st December 2010

Month	Open	High	Low	Close	Change
Mar-11	144.00	146.84	143.53	144.81	+1.97
May-11	135.68	139.23	135.68	137.61	+2.38
Jul-11	128.50	130.54	128.10	129.30	+2.76

*ICE futures remain closed on Sat. and Sun.

- Cotton futures ends higher as inventories plunged and demand surged in China.
- Cotton futures for March delivery gained 1.97 cents, or 1.4%, to settle at \$1.4481 on ICE.

Technical Analysis:

- Candlestick formation in the chart suggests bearish sentiments.
- Prices have closed above the 9 and 18-day EMAs supporting the firm trend in short term.
- MACD is moving up suggests bullish market.
- RSI is flat suggests sideways market.
- Kapas futures are likely to remain range bound with a weak bias in next trading session.



Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL	751-752	739	737	759.5	714	732	749.1	760	770

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