

## Price Drivers

- ❖ Higher yield expected in the Panhandle and South Plains region in the U.S.
- ❖ Australia's Queensland area to produce good crop amid rains.
- ❖ Government has started registrations for export of the unshipped quantity of cotton.
- ❖ Global demand to outpace supply.
- ❖ Higher production estimates for 2010-11.

## Fundamental Analysis

- ✓ Most cotton markets remained weak as arrivals improved in most of the markets.
- ✓ Sources added that markets could weaken further as production in 2010-11 is poised to reach a new high of over 34.5 million bales (1 bale = 170 kg).
- ✓ Markets also fell as exporters have still not registered for exports of the remaining unshipped quantity.
- ✓ Markets also fell after ICAC said that world production set to rise by 8.8% to a record high of 27.3m tonnes (125m bales) in 2011-12.
- ✓ Exporters must apply for registration certificate between December 31<sup>st</sup> 2010 and January 6<sup>th</sup> 2011, and then eligible exporters will be able to ship the quantity within 30 days after getting permission.
- ✓ However, sources added that cotton markets could see some shortage after Flooding in Australia, the fourth- largest cotton exporter, may threaten more crops in Queensland State as rivers continue to swell and with further rain forecast for growing regions.
- ✓ Sources also added global demand led by China will outpace supply.
- ✓ 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.
- ✓ 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.

***Cotton market may move lower on weaker demand and offloading of stockists. 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   | 4500-4750 | -100   | 76195    |
| Amravati (Maharashtra) | Vunni Mech1 | 4450-4600 | +50    | 1000     |
| Ahmedabad (Gujarat)    | Shankar     | 4375-4600 | -      | 50000    |
| Sirsa (Haryana)        | J-34        | 4380      | -20    | 700      |
| Abohar (Punjab)        | J-34        | 4500      | -      | 600      |
| Muktsar (Punjab)       | J-34        | 4525      | -10    | 250      |

Scale: 1bale = 170kg;

## International Market Analysis

ICE Cotton Futures Prices as on 02<sup>nd</sup> January 2011

| Month  | Open   | High   | Low    | Close  | Change |
|--------|--------|--------|--------|--------|--------|
| Mar-11 | 144.97 | 146.50 | 141.37 | 142.20 | -2.61  |
| May-11 | 137.49 | 139.50 | 135.27 | 136.30 | -1.31  |
| Jul-11 | 128.52 | 131.30 | 127.45 | 128.84 | -0.46  |

\*ICE futures remain closed on Sat. and Sun.

- Cotton futures ended lower as traders who bought earlier were booking profits.
- Cotton futures for March delivery fell 2.61 cents, or 1.8%, to \$1.422 a pound 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 flat suggests sideways 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 | <b>SELL</b> | 753.5-755.5 | 743.5 | 741.5 | 762.5 | 731 | 736 | 745.6 | 765 | 771 |

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