

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

- ✓ Markets fell on Wednesday on global cues and weak demand at higher prices.
- ✓ However, 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 31st 2010 and January 6th 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	4350-4600	-150	65310
Amravati (Maharashtra)	Vunni Mech1	4400-4500	-100	700
Ahmedabad (Gujarat)	Shankar	4350-4500	-100	50000
Sirsa (Haryana)	J-34	4340	-40	700
Abohar (Punjab)	J-34	4400	-100	500
Muktsar (Punjab)	J-34	4450-4470	-45	250

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 03rd January 2011

Month	Open	High	Low	Close	Change
Mar-11	141.25	145.00	139.80	143.78	+1.58
May-11	136.30	138.97	134.50	137.89	+1.59
Jul-11	128.00	130.72	126.52	129.49	+0.65

*ICE futures remain closed on Sat. and Sun.

- Cotton futures ended higher as traders started to buy at lows of the market.
- Cotton futures for March delivery ended higher 1.58 cents to \$1.4378 a pound on ICE.

Technical Analysis:

- Candlestick formation in the chart suggests selling pressure in the markets.
- Prices have closed below the 9 and 18-day EMAs supporting the weak trend in short term.
- MACD is flat suggests sideways market.
- RSI is moving down suggests bearish 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	734.5-735.5	725.5	721.5	742.5	714	720	733.2	743	752

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