



Price Drivers

- ❖ Expectations of macro tightening policies, such as a rate hike.
- ❖ Lower arrivals and slightly weak demand.
- ❖ Cotton production in India in the 2010-11 season is expected to climb to 32.9 million bales.
- ❖ India and U.S to plant more in 2011-12.
- ❖ Tightening supply and higher cost for cotton seeds.

Fundamental Analysis

- ✓ Markets remained mixed on Friday with Gujarat and Maharashtra remaining steady to firm and Punjab and Haryana ended lower.
- ✓ Markets remained lower on expectations of more macro tightening policies, such as a rate hike and whether the U.S. dollar has established the rebound trend.
- ✓ Also, globally sources added that cotton crops damaged by flooding in Australia may partly recover in the next few months helping to maintain the production outlook.
- ✓ Markets could also see more downtrend after raw cotton production in India in the 2010-11 season is expected to climb to 32.9 million bales (1 bale = 170 kg) from the previously assessed figure of 32.5 million bales by Cotton Advisory Board (CAB).
- ✓ Sources also added that India is expected to plant 11.2 million hectares in 2011-12, which is a slight increase from the 11million hectares in 2010-11.
- ✓ However U.S analysts said that markets could continue to move higher due to market speculation of tightening supply and higher cost for cotton seeds.
- ✓ Sources also added that globally markets could see more weakness after U.S. production is expected to increase at least by 10% to 19.38 million bales. U.S acreage is expected increase to 12.83 million acres.

In the short term markets could move lower on weak demand in the market. Cotton markets could move lower on higher production estimates from U.S and India for 2011-12.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	4500-4700	-	43540
Amravati (Maharashtra)	Vunni Mech1	4450-4600	+50	500
Ahmedabad (Gujarat)	Shankar	4375-4625	+50	50000
Sirsa (Haryana)	J-34	4300	-140	800
Abohar (Punjab)	J-34	4400	-125	600
Muktsar (Punjab)	J-34	4400	-90	225

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 05th January 2011

Month	Open	High	Low	Close	Change
Mar-11	146.39	149.09	141.20	141.22	-3.98
May-11	141.16	143.95	136.91	137.22	-2.89
Jul-11	132.16	135.00	128.00	128.25	-2.91

*ICE futures remain closed on Sat. and Sun.

- Cotton futures end lower as global supplies may be higher.
- Cotton futures for March delivery fell 3.98 cents, or 2.7 percent, to \$1.4122 a pound in New York.


Technical Analysis:

- Candlestick formation in the chart reveals bearish sentiments.
- Prices have closed below the 9-day EMAs supporting the weak trend in short term.
- MACD is flat suggests sideways market.
- RSI is moving down is supports bearish sentiments.
- 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	745.-746	735	733	752.5	700	720	738.9	754	768

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