



### Price Drivers

- ❖ Crop losses upto 8% in Australia.
- ❖ Indian government may raise cotton export limit.
- ❖ India could see an increase of production to 329 lakh bales.
- ❖ Firm demand from China, U.S and Pakistan.
- ❖ U.S production is expected to increase.

### Fundamental Analysis

- ✓ Cotton markets ends higher on Tuesday as reports of crop losses in Australia have propelled the markets higher.
- ✓ Australian cotton output has declined by 8%, estimating the country will produce 3.95 million bales in the year ending July 31<sup>st</sup> 2011.
- ✓ Markets moved higher on reports of expected raise in cotton exports as the Indian government has told Pakistan that it is ready to lift the ban on cotton exports if the latter resumes its onion exports through rail and land routes.
- ✓ However, Cotton Advisory Board has increased its earlier projection of the size of the crop by 4 lakh bales to a record 329 lakh bales for the 2010-11 season.
- ✓ Cotton Advisory Board said that overall supply during the current season is at 374.50 lakh bales, as the preceding season's closing stocks were sharply lower at 40.50 lakh bales.
- ✓ Cotton Advisory Board 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.
- ✓ Markets also moved higher as sources continue to say that demand will continue to be robust from China and Pakistan due to crop losses in both countries.
- ✓ Markets on the other hand moved higher after the government will reopen from 11<sup>th</sup> January 2011 for cotton exports, allocating specific quantity for traders, subject to overall ceiling of 2.5 million bales.
- ✓ However, 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 higher on lower arrivals expected 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	4650-4875	+25	43540
Amravati (Maharashtra)	Vunni Mech1	4450-4700	-	450
Ahmedabad (Gujarat)	Shankar	4450-4700	-	50000
Sirsa (Haryana)	J-34	4440	+20	700
Abohar (Punjab)	J-34	4500-4570	+15	500
Muktsar (Punjab)	J-34	4500-4580	+10	250

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 10<sup>th</sup> January 2011

Month	Open	High	Low	Close	Change
Mar-11	140.50	144.60	140.50	143.25	+2.65
May-11	138.00	140.51	137.25	139.18	+2.67
Jul-11	130.01	132.97	129.70	132.11	+3.10

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

- Cotton futures ends higher after the floods have damaged the crops in Australia.
- Cotton for March delivery gained 2.65 cents or 1.9%to settle at \$1.4325 a pound at 2:55 p.m. on ICE Futures U.S. in New York.


**Technical Analysis:**

- Candlestick formation in the chart reveals indecision in the markets.
- 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 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	758-760	746	744	768	723	739	755.6	773	791

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