



Price Drivers

- ❖ Deadly floods in Australia could lower global supply.
- ❖ 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 remained mixed on Wednesday as arrivals improved slightly in the domestic counters.
- ✓ Sentiments remained firm after deadly floods damaged crops in Australia, the world's fourth-largest supplier.
- ✓ Cotton prices have doubled in the past year on signs that global supplies will fail to meet rising demand from China,
- ✓ Sources added that the flooding in Australia has fueled concern over tight supply.
- ✓ 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 11th January 2011 for cotton exports, allocating specific quantity for traders, subject to overall ceiling of 2.5 million bales.

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	4600-4850	-25	65310
Amravati (Maharashtra)	Vunni Mech1	4800	+100	500
Ahmedabad (Gujarat)	Shankar	4375-4700	-	50000
Sirsa (Haryana)	J-34	4410	+10	1000
Abohar (Punjab)	J-34	4480	-90	1000
Muktsar (Punjab)	J-34	4480-4550	-30	500

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 11th January 2011

Month	Open	High	Low	Close	Change
Mar-11	143.25	147.25	143.15	147.25	+4.00
May-11	139.25	143.18	139.20	143.18	+4.00
Jul-11	132.50	136.11	131.96	136.11	+4.00

*ICE futures remain closed on Sat. and Sun.

- Cotton futures surge higher amid fears that Australia's cotton crop would continue to be hit by worsening floods.
- The March-delivery contract rose 4.00 cents to end at \$1.4725 a pound on ICE.



Technical Analysis:

- Candlestick formation in the chart reveals bullish 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 moving up is supports bullish sentiments.
- Kapas futures are likely to remain range bound with a firm bias in next trading session.



Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	BUY	760-761	771	773	753.5	729	737	765.7	776	780

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