



### Price Drivers

- ❖ Global output may be lower this year.
- ❖ Crop damage from Australia.
- ❖ Cotton production to be lower in India.
- ❖ Ginners demand remains firm.
- ❖ India to resume the remaining shipment 2.5 lakh bales.
- ❖ U.S production to be higher.
- ❖ Demand remains firm from China.

### Fundamental Analysis

- ✓ Cotton markets end steady to firm on Monday as the global cotton output may be lower according to an USDA report.
- ✓ Cotton prices also moved higher after reports of crop damage in Australia. National Australia Bank yesterday cut its cotton production estimate for Australia by about 10%. Output might drop by 400,000 bales due to the flooding.
- ✓ Sources also added that markets moved higher after reports of decline in the cotton production estimates in India and internationally according to the USDA'S World Agriculture Supply Demand estimates.
- ✓ Markets also moved higher after sources added that there are more buyers than sellers in the local market.
- ✓ Sources added that demand from ginners remain firm as they are taking full advantage of the short supply and asking for higher prices for quality produce.
- ✓ Markets were also supported by firm export demand after India has resumed the remaining 2.5 lakh bales of cotton shipment remaining.
- ✓ However, USDA said on Friday that U.S production will total 18.32 million bales higher compared to 18.27 million bales.
- ✓ This might prompt U.S to ship out more this year at 15.75 million bales compared to 12 million bales last year.
- ✓ Furthermore, USDA estimates of the following are as follows- World output will be 115.46 million bales, down from last month's forecast of 115.53 million bales. Global use will be 116.58 million bales, up from the December projection of 116.25 million bales.

***Cotton markets may continue to move higher on lower output expectations. The longer trend will depend on the production estimates in U.S and India and the demand from China.***

### Prices (Rs/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	5050-5250	+250	N/A
Amravati (Maharashtra)	Vunni Mech1	5000-5250	+50	500
Ahmedabad (Gujarat)	Shankar	4500-4900	+50	50000
Sirsa (Haryana)	J-34	4575	-135	1000
Abohar (Punjab)	J-34	4640	+40	600
Muktsar (Punjab)	J-34	4710	+70	250

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 14<sup>th</sup> January 2011

Month	Open	High	Low	Close	Change
Mar-11	144.00	145.95	141.19	141.44	-2.62
May-11	139.50	140.90	136.06	136.37	-3.09
Dec-11	102.10	103.45	99.01	99.29	-3.09

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

- Cotton futures ends lower as China took more steps to damp inflation spurring concern that commodity demand will ease.
- Cotton for March delivery fell 2.62 cents, or 1.8%, to settle at \$1.4144 on ICE Futures U.S. in New York.


**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 moving up suggests bullish market.
- RSI is moving up in the overbought region and is warranting caution to the bulls.
- 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	797-798	810	812	789.5	772	779	802.3	817	828

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