



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 Tuesday on reports from India that the government might open up cotton yarn exports by the textile and commerce ministries.
- ✓ 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.
- ✓ Markets were also supported by firm export demand after India has resumed the remaining 2.5 lakh bales of cotton shipment remaining.
- ✓ However sources say that US 2011 cotton sowings will be in the range from 12.48-12.53 million acres, a five-year high.
- ✓ 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/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	4900-5350	+100	65310
Amravati (Maharashtra)	Vunni Mech1	5200-5300	+50	300
Ahmedabad (Gujarat)	Shankar	4750-5250	+350	40000
Sirsa (Haryana)	J-34	4610	+35	800
Abohar (Punjab)	J-34	4650	+10	N/A
Muktsar (Punjab)	J-34	4635	-75	250

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 17th January 2011

Month	Open	High	Low	Close	Change
Mar-11	Closed	Closed	Closed	Closed	Closed
May-11	Closed	Closed	Closed	Closed	Closed
Dec-11	Closed	Closed	Closed	Closed	Closed

*ICE futures remain closed on Sat. and Sun.

ICE remained closed on Monday on the account of Martin Luther King Day.



Technical Analysis:

- Candlestick formation in the chart reveals bearish 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 down 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	785-787	799	801	777	756	768	792	806	818

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