



Price Drivers

- ❖ Firm domestic and export demand.
- ❖ Lower arrivals reported in India over the last 2 weeks.
- ❖ Higher production estimates at 32.9 million bales.
- ❖ Higher imports from China.
- ❖ Australia's floods could reduce its crop by 50%.

Fundamental Analysis

- ✓ Cotton remained mixed on Wednesday supported by firm domestic and export demand.
- ✓ Markets also moved higher after sources reported that due to holidays on account of Makar Sankrant/Lohri/Pongal across the country, the daily average arrivals in most of the cotton growing states had reduced to the range of around 1,45,000 to 1,55,000 lakh bales.
- ✓ Sources reported that arrivals in Gujarat were in the range of 45,000 to 50,000 bales, 45,000 to 50,000 bales in Maharashtra, 4,000 to 5,000 bales in Madhya Pradesh, 4,000 to 5000 bales in Karnataka and around 15,000 to 20,000 bales in Andhra Pradesh.
- ✓ However sources added that the export cap may not increase amidst reports of higher crop at a record 32.9 million bales in 2010/11 on higher acreage and favourable weather.
- ✓ According to the latest estimate, India's total cotton supply remains 37.5 million bales in 2010/11 up from 37.35 million bales in the previous year.
- ✓ Globally, market uptrend was also supported by stockpiling by China a poor harvest in cotton growing countries such as Uzbekistan, last year's devastating flood in Pakistan.
- ✓ Sources added that the uptrend will continue with the recovering demand from the textile industry in China.
- ✓ Prices also moved higher due to the devastating flood in Australia. Sources felt that due to the floods cotton production will decrease by 50% in Australia.

Cotton markets may continue upward trend supported by global demand for Indian cotton and lower arrivals in the markets. In the medium to long term price trend will depend on production estimates in India and demand from China.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	5300-5325	-25	54425
Amravati (Maharashtra)	Vunni Mech1	5150-5350	+50	300
Ahmedabad (Gujarat)	Shankar	4900-5050	-250	40000
Sirsa (Haryana)	J-34	4575	-35	1000
Abohar (Punjab)	J-34	4625	-25	950
Muktsar (Punjab)	J-34	4705	+70	400

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 18th January 2011

Month	Open	High	Low	Close	Change
Mar-11	142.99	145.44	142.47	145.44	+4.00
May-11	136.90	140.37	136.90	140.37	+4.00
Dec-11	102.02	103.29	102.01	103.29	+4.00

*ICE futures remain closed on Sat. and Sun.

- Cotton futures ends higher supported by higher imports by China.
- Cotton for March delivery ended higher by 4 cents, or 2.8%, to settle at \$1.4544 on ICE Futures.



Technical Analysis:

- Candlestick formation in the chart reveals indecision.
- 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 flat 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	788-789	801	803	780.5	769	777	794	809	817

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