



### Price Drivers

- ❖ Australia's floods could reduce its crop by 50%.
- ❖ Cotton inventory is low in India.
- ❖ Consumption is high from millers.
- ❖ U.S production rose by 47,000 bales to 18.32 million bales.
- ❖ Textile industry demand continues to be high from China.

### Fundamental Analysis

- ✓ Cotton markets ends steady to firm on Thursday as cotton inventory is expected to dip to 35 lakh bales this season.
- ✓ Sources say that the ending stock that has already come down to 44.5 lakh bales and sources say that the way demand is improving it could dip to 35 lakh bales taking the export into hand.
- ✓ Sources added that so far 162 lakh bales have arrived in the market and the supplies are better than last crop year when 152 lakh bales.
- ✓ However consumption is higher this year and this may continue to propel the markets even higher.
- ✓ Sources added that markets will continue its uptrend since the market is speculating a shortage in supply for local consumption owing to exports.
- ✓ Globally USDA said that U.S. production rose by 47,000 bales to 18.32 million bales.
- ✓ However this may not be enough for the rising mill demand. USDA added mill use rose by a slight 330,000 bales to 116.58 million bales.
- ✓ Separately, USDA added that U.S mill use edged up 50,000 bales to 3.6 million on stronger-than-expected activity in recent months.
- ✓ Sources added that the uptrend will continue with the recovering demand from the textile industry in China.
- ✓ Prices will continue the uptrend 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/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	5050-5325	-	76195
Amravati (Maharashtra)	Vunni Mech1	5200-5350	-	300
Ahmedabad (Gujarat)	Shankar	4950-5050	-	40000
Sirsa (Haryana)	J-34	4610	+35	800
Abohar (Punjab)	J-34	4640	+15	700
Muktsar (Punjab)	J-34	4710	+5	350

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 19<sup>th</sup> January 2011

Month	Open	High	Low	Close	Change
Mar-11	148.04	150.44	147.76	148.94	+3.50
May-11	141.00	145.37	141.00	143.31	+2.94
Dec-11	103.50	107.79	103.50	104.48	+1.19

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

- Cotton futures ends higher as global supplies tighten and the dollar weakens.
- Cotton for March delivery rose 3.5 cents, or 2.4 percent, to settle at \$1.4894 a pound on ICE Futures U.S.



### Technical Analysis:

- Candlestick formation in the chart reveals bearish sentiments.
- Prices have remained 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	780-781	791	793	773.5	759	769	793	803	813

### DISCLAIMER

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>