



Price Drivers

- ❖ Stockpiling from China could continue.
- ❖ Poor harvest in Uzbekistan and Pakistan due to floods.
- ❖ Increasing demand for lint in many textile manufacturing centers.
- ❖ Export cap to be retained at 55 lakh bales.
- ❖ U.S. production rose by 47,000 bales to 18.32 million bales.

Fundamental Analysis

- ✓ Cotton markets remain mixed on Friday as activity has slowed down in the markets due to the upcoming holiday.
- ✓ Sources added that cotton prices could continue its upward run due to stockpiling by China, a poor harvest in cotton growing countries such as Uzbekistan, untimely rains destroying crops in Pakistan and India restricting export cap to just 55 lakh bales
- ✓ Sources also added that increasing demand for lint in many textile manufacturing centers around the world has added additional strength to cotton prices.
- ✓ Separately, the Indian government said that it may consider allowing further export of cotton, as production is expected to be slightly higher than the initial estimate of 33.5 million bales in 2010/11 crop year. So far 3.8 million bales have been exported.
- ✓ At the same time, the Committee of Secretaries said that the export cap will be retained at 55 lakh bales for now and will take a decision on February 10th 2011.
- ✓ 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.
- ✓ 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.

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 | 5150-5325 | - | 87080 |
| Amravati (Maharashtra) | Vunni Mech1 | 5100-5300 | -50 | 200 |
| Ahmedabad (Gujarat) | Shankar | 4950-5075 | +25 | 40000 |
| Sirsa (Haryana) | J-34 | 4600 | -10 | 800 |
| Abohar (Punjab) | J-34 | 4640 | - | 700 |
| Muktsar (Punjab) | J-34 | 4710 | - | 300 |

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 20th January 2011

| Month | Open | High | Low | Close | Change |
|--------|--------|--------|--------|--------|--------|
| Mar-11 | 149.25 | 152.94 | 148.02 | 152.94 | +4.00 |
| May-11 | 144.36 | 147.31 | 142.55 | 147.27 | +3.96 |
| Dec-11 | 104.37 | 107.07 | 103.50 | 105.70 | +1.22 |

*ICE futures remain closed on Saturday

- Cotton futures ends higher as reports flow in from China that they might increase their purchases in the coming months.
- Cotton futures for March delivery ended higher by 4 cents or 2.7%, to close at \$1.5294 a pound.



Technical Analysis:

- Candlestick formation in the chart reveals bullish 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 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 | 804-805 | 817 | 819 | 796.5 | 770 | 784 | 811 | 823 | 835 |

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