



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 ends firm on Saturday as cotton demand continues to surge higher.
- ✓ 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	5250-5350	+25	87080
Amravati (Maharashtra)	Vunni Mech1	5300-5400	+100	300
Ahmedabad (Gujarat)	Shankar	4950-5075	-	40000
Sirsa (Haryana)	J-34	4640	+40	700
Abohar (Punjab)	J-34	4690	+50	600
Muktsar (Punjab)	J-34	4735-4740	+30	250

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 21st January 2011

Month	Open	High	Low	Close	Change
Mar-11	153.90	156.94	153.72	156.94	+4.00
May-11	147.74	151.27	147.74	151.27	+4.00
Dec-11	106.16	109.69	106.16	108.74	+3.04

*ICE futures remain closed on Saturday

- Cotton futures ends higher on speculation that China will increase purchases from the U.S.
- The March cotton contract on ICE Futures US settled up by the 4-cent limit to trade at \$1.5694 per lb.



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	815-816	826	828	808.5	790	804	819.1	830	840

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