



### Price Drivers

- ❖ Firm Chinese demand.
- ❖ Demand to outweigh supply in the long term.
- ❖ Chinese imports to increase.
- ❖ Global output estimate to be lower for 2010-11.
- ❖ Indian government may not increase cotton exports to exceed ceiling of 5.5 million bales.
- ❖ Cotton stockpiles to be lowest since 1995-96.

### Fundamental Analysis

- ✓ Cotton markets surged high as sources say that supplies will be not be enough to meet with global demand.
- ✓ Cotton markets also moved higher influenced by global reports of Chinese demand will outpace supplies.
- ✓ Sources said Chinese imports surged 86% in 2010 as economic growth lifted demand from textile mills and adverse weather hurt the domestic crop.
- ✓ The country's purchases may increase before next month's Lunar New Year holidays.
- ✓ The uptrend was also supported by USDA reports that global output will be 25.138 million tonnes in the year that began August 1<sup>st</sup> 2010, down from a December estimate of 25.154 million tonnes.
- ✓ Cotton stockpiles for 2010-2011 are projected to be 9.3 million tons, which equals 42.8 million bales lowest since 1995-96.
- ✓ Separately, Textiles Minister of India, Dayanidhi Maran, revealed that the Union government would not allow the cotton exports to exceed the ceiling of 5.5 million bales.
- ✓ Southern India Mills' Association (SIMA) said that cotton production as 32.9 million bales and consumption as 27.5 million bales.
- ✓ SIMA also added that exportable surplus will be at 5.5 million bales thus reducing the closing stock to 4.45 million bales.
- ✓ The main reason for the decline in production is that production is expected to decline in Maharashtra and Gujarat.

***Cotton markets may continue upward trend supported by Strong Chinese demand for cotton. 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	5300-5555	+155	87080
Amravati (Maharashtra)	Vunni Mech1	5400-5600	+100	300
Ahmedabad (Gujarat)	Shankar	5250-5400	+200	40000
Sirsa (Haryana)	J-34	4890	+210	500
Abohar (Punjab)	J-34	4850	+80	500
Muktsar (Punjab)	J-34	4900	+80	250

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 24<sup>th</sup> January 2011

Month	Open	High	Low	Close	Change
Mar-11	160.99	161.94	160.50	161.94	+5.00
May-11	154.27	156.27	154.07	156.27	+5.00
Dec-11	109.79	113.74	109.77	113.74	+5.00

\*ICE futures remain closed on Saturday

- Cotton futures ended higher on speculation that global supplies will fail to keep pace with rising demand in China.
- Cotton for March delivery ended higher by 5 cents, or 3.2%, to settle at \$1.6194 a pound on ICE Futures U.S. in New York.



### Technical Analysis:

- Kapas chart is moving up into new territories.
- Candlestick formation in the chart reveals bullish sentiments.
- Prices are far 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	848-849	864	869	837.5	819	829	857.8	877	892

### 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>