



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 higher on Thursday as arrivals remained lower and demand remained firm in the markets.
- ✓ Cotton markets advanced on speculation import demand from China will be sustained, tightening global supply.
- ✓ China's imports totaled 2.84 million metric tonnes last year most since 2006.
- ✓ Markets also moved higher after Southern India Mills Association (SIMA) stated that, the country's overall cotton production for 2010-11 crop season is expected to touch 30.9 million bales compared to previous estimate of 32.5 million bales and the total consumption is estimated at 28.5 million bales.
- ✓ Sources added that this could lower supply in the markets against heavy miller's demand.
- ✓ The uptrend was also supported by USDA reports that global output will be 25.138 million tonnes in the year that began August 1st 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.

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/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	5350-5750	+195	76195
Amravati (Maharashtra)	Vunni Mech1	5600-5700	+100	300
Ahmedabad (Gujarat)	Shankar	5250-5500	+100	40000
Sirsa (Haryana)	J-34	4990	+100	500
Abohar (Punjab)	J-34	5000	+150	250
Muktsar (Punjab)	J-34	5050	+150	130

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 26th January 2011

Month	Open	High	Low	Close	Change
Mar-11	163.04	166.83	160.81	166.83	+5.00
May-11	155.12	159.33	153.26	159.33	+5.00
Dec-11	108.70	113.00	107.21	110.43	+1.76

*ICE futures remain closed on Saturday

- Cotton futures continue uptrend driven by speculative interests with cotton merchants and mills reportedly waiting for that demand to cool so they can buy at lower levels.
- The key March cotton contract on ICE Futures US end higher by the 5 cent limit to close at \$1.6683 per lb.


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 and may witness profit booking in the next trading session.


Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX- Apr	BOOK PROFITS	-	-	-	-	856	874	890.9	900	908

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