



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 remain higher amid higher arrivals 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	5400-5975	+225	87080
Amravati (Maharashtra)	Vunni Mech1	5500-5700	-	300
Ahmedabad (Gujarat)	Shankar	5625-5750	+250	40000
Sirsa (Haryana)	J-34	4960	-40	800
Abohar (Punjab)	J-34	5025	+25	250
Muktsar (Punjab)	J-34	5080	+30	150

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 27th January 2011

Month	Open	High	Low	Close	Change
Mar-11	168.00	172.83	166.25	169.39	+2.56
May-11	160.35	165.33	159.72	163.43	+4.10
Dec-11	112.00	113.92	110.64	113.86	+3.43

*ICE futures remain closed on Saturday

- Cotton futures continue uptrend on firm Chinese demand.
- Cotton for March delivery climbed 2.56 cents, or 1.5%, to settle at \$1.6939 a pound on ICE Futures.



Technical Analysis:

- Kapas chart continue to move 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 trade 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	907-909	924	928	896.5	856.5	872.5	913.5	929.5	945.5

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