

FUNDAMENTAL ANALYSIS

- ✓ Cotton markets end firm this fortnight as the global cotton output was marginally reduced by the USDA report.
- ✓ Cotton prices also moved higher after reports of crop damage in Australia.
- ✓ National Australia Bank yesterday cut its cotton production estimate for Australia by about 10%.
- ✓ Output might drop by 400,000 bales due to the flooding.
- ✓ Sources also added that markets moved higher after reports of decline in the cotton production estimates in India and internationally according to the USDA'S World Agriculture Supply Demand estimates.
- ✓ Markets also moved higher after sources added that there are more buyers than sellers in the local market.
- ✓ Sources added that demand from ginners remain firm as they are taking full advantage of the short supply and asking for higher prices for quality produce.
- ✓ Markets were also supported by firm export demand after India has resumed the remaining 2.5 lakh bales of cotton shipment remaining.
- ✓ However, USDA said on Friday that U.S production will total 18.32 million bales higher compared to 18.27 million bales.
- ✓ This might prompt U.S to ship out more this year at 15.75 million bales compared to 12 million bales last year.
- ✓ Furthermore, USDA estimates of the following are as follows- World output will be 115.46 million bales, down from last month's forecast of 115.53 million bales. Global use will be 116.58 million bales, up from the December projection of 116.25 million bales.
- ✓ Cotton markets ends steady to firm as cotton inventory is expected to dip to 35 lakh bales this season.
- ✓ Sources say that the ending stock that has already come down to 44.5 lakh bales and sources say that the way demand is improving it could dip to 35 lakh bales taking the export into hand.
- ✓ 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.
- ✓ Sources added that markets will continue its uptrend since the market is speculating a shortage in supply for local consumption owing to exports.
- ✓ Cotton markets remained firm this fortnight on reports from India that the government might open up cotton yarn exports by the textile and commerce ministries.
- ✓ Markets also moved higher after sources reported that due to holidays on account of Makar Sankrant/Lohri/Pongal across the country, the daily average arrivals in most of the cotton growing states had reduced to the range of around 1,45,000 to 1,55,000 lakh bales.
- ✓ Sources reported that arrivals in Gujarat were in the range of 45,000 to 50,000 bales, 45,000 to 50,000 bales in Maharashtra, 4,000 to 5,000 bales in Madhya Pradesh, 4,000 to 5000 bales in Karnataka and around 15,000 to 20,000 bales in Andhra Pradesh.
- ✓ 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.

OUTLOOK: Short Term (One fortnight)

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 at Key Markets (Rs/Candy)				
State	Centre	Variety	Prices	
			17-01-11	29-01-11
Haryana	Sirsa	J-34	4575	4980
Punjab	Muktsar	J-34	4710	5080
	Abohar	J-34	4640	5031
Gujarat	Kadi	BT	5050-5250	5650-5875
	Ahmedabad	Shankar	4500-4900	5500-5750
Maharashtra	Amravati	Vunni Mech1	5000-5250	5800-5950

Cumulative Arrival (in bales) in markets from 17-01-11 to 29-01-11		
State	Center	Arrivals
Haryana	Sirsa	8.700
Punjab	Muktsar	2.780
	Abohar	5.450
Gujarat	Ahmedabad	450,000
	Kadi	805,490
Maharashtra	Amravati	3,400

Technical Analysis:

- ✓ Prices have closed above the 9 and 18-day EMAs supporting the firm trend in short term.
- ✓ MACD is moving up supports the bullish sentiments.
- ✓ RSI is moving down in the overbought region and is warranting caution to the bulls.
- ✓ Kapas futures are likely to remain range bound with a firm bias for the coming fortnight.
- ✓ Key supports are at 729 and 816.
- ✓ Key resistances are at 957 and 1011.
- ✓ So buy on any dip in the market near supports.



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