



Price Drivers

- ❖ Supplies expected to be lower.
- ❖ Demand expected to outpace supply.
- ❖ Demand to be firm from China, India and Pakistan.
- ❖ Planters to sow more seeing higher prices.
- ❖ Textile demand in India to see an increase.
- ❖ India may not increase export quota.

Fundamental Analysis

- ✓ Cotton markets ends higher supported by as supplies could be lower this year and will at the lowest levels since 1993.
- ✓ Markets also moved higher supported by analysts saying that demand has outpaced supply over the last 5 years and will continue to do in the next 5 years.
- ✓ Sources also added that demand from emerging markets like China, India and Pakistan has been pushing up prices.
- ✓ Sources added that USDA predicted a 50% increase of production which may not be enough to satisfy the demand thirst.
- ✓ Sources however added that higher prices might lead to farmers planting more this year and acreage could increase in 2010-2011.
- ✓ Markets were higher as demand remained firm from Chinese textile mills and China is expected to increase exports 3rd February 2011.
- ✓ Separately, India's textile industry said that India will need additional 10 million metric tonnes of cotton fibers in order to reach a value of US\$ 220 billion by 2020.
- ✓ Sources in India are divided over India's production estimates as SIMA says that India's production could be at 30.9 million bales (170 kg each) and CAB saying that India's production could be at 34 million bales (170 kg each).
- ✓ Markets also remained higher globally as India is expected not to increase the export quota more than 55 lakh bales.

Cotton markets could continue to move higher on firm Chinese demand and lower arrivals in the market. In the medium to long term price trend depends on production estimates, global demand and supply for the commodity.

Prices (Rs/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	5700-5850	+100	45000
Amravati (Maharashtra)	Vunni Mech1	5500-5700	-	50
Ahmedabad (Gujarat)	Shankar	5700-5850	+225	40000
Sirsa (Haryana)	J-34	4970	+100	700
Abohar (Punjab)	J-34	4985	-	200
Muktsar (Punjab)	J-34	5010	-	150

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 31st January 2011

Month	Open	High	Low	Close	Change
Mar-11	165.89	168.75	165.46	168.44	+3.69
May-11	160.65	163.49	160.24	163.18	+3.69
Dec-11	112.10	115.00	112.10	114.20	+2.24

*ICE futures remain closed on Saturday

- Cotton futures ends higher as imports from China are expected to increase.
- Cotton futures for March delivery rose 3.69 cents, or 2.2%, to settle at \$1.6844 a pound on ICE in New York.


Technical Analysis:

- Kapas chart is moving up into uncharted territories.
- Candlestick formation in the chart reveals bullish sentiments.
- Prices are 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	951-952	964	967	943	906	930	954.2	978	1002

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