



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.
- ✓ Very low world stocks of cotton, limited supply, robust demand and a depreciation of U.S dollar has caused the surge in prices.
- ✓ However sources added that USDA predicted a 15% 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 | 5750-6050 | +200 | 43540 |
| Amravati (Maharashtra) | Vunni Mech1 | 5900-6100 | +400 | 200 |
| Ahmedabad (Gujarat) | Shankar | 5750-5875 | +25 | 50000 |
| Sirsa (Haryana) | J-34 | 5050 | +80 | 500 |
| Abohar (Punjab) | J-34 | 5125 | +140 | 150 |
| Muktsar (Punjab) | J-34 | 5180 | +170 | 100 |

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 01st February 2011

| Month | Open | High | Low | Close | Change |
|--------|--------|--------|--------|--------|--------|
| Mar-11 | 170.77 | 172.44 | 169.23 | 172.22 | +3.78 |
| May-11 | 165.00 | 167.18 | 163.80 | 167.00 | +3.82 |
| Dec-11 | 114.05 | 117.52 | 113.70 | 116.23 | +2.03 |

*ICE futures remain closed on Saturday

- Cotton futures surge higher on speculative buying inspired by stronger Chinese prices.
- The March cotton contract on ICE Futures US rose 3.78 cents or 2.2% to settle at \$1.7222 per lb.


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 | 990-992 | 1007 | 1012 | 979 | 938 | 949 | 992.4 | 1014 | 1036 |

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