



Price Drivers

- ❖ Firm overseas mill demand.
- ❖ Cyclone in Australia may cause further crop losses.
- ❖ Firm Chinese demand.
- ❖ Lower arrivals in domestic markets.
- ❖ Planters to sow more seeing higher prices.
- ❖ India may not increase export quota.

Fundamental Analysis

- ✓ Cotton markets surges higher supported by overseas mill buying and shortage of stocks expected in India and U.S.
- ✓ Sources added that markets also moved higher as a cyclone in Australia would hit prime cotton-growing areas and may cause further crop losses after the devastating floods in Australia.
- ✓ Sources added that cotton markets may continue uptrend on anticipation of shortfall of supplies may not be able to meet the rising Chinese demand.
- ✓ Markets have also surged as demand boomed in China and the cotton imports jumped 86 percent to 2.84 million metric tonnes according to the country's customs data.
- ✓ Markets also moved higher supported by reports of shortfall of stock in Pakistan by 2.5 million bales after floodwater destroyed its fields in July and August.
- ✓ The bullish trend was also supported by lower arrivals, increasing demand from spinning mills and DGFT circular inviting applications for exporting unutilized export quota of cotton yarn.
- ✓ The government has invited applications from traders for granting permission to export cotton yarn within an overall quota of 720 million kg fixed for the 2010-11 season.
- ✓ Planters' throughout India are not bringing in stocks in anticipation of higher prices.
- ✓ 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.
- ✓ However sources added that USDA predicted a 15% increase of production which may not be enough to satisfy the demand thirst.

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/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6100-6180	+130	65310
Amravati (Maharashtra)	Vunni Mech1	5900-6150	+50	250
Ahmedabad (Gujarat)	Shankar	5875-6000	+125	45000
Sirsa (Haryana)	J-34	5290-5325	+240-275	500
Abohar (Punjab)	J-34	5300-5360	+175-235	250
Muktsar (Punjab)	J-34	5200-5240	+20-60	150

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 02nd February 2011

Month	Open	High	Low	Close	Change
Mar-11	173.00	176.22	173.00	176.22	+4.00
May-11	167.63	171.00	167.63	171.00	+4.00
Dec-11	116.25	118.74	116.11	118.37	+2.14

*ICE futures remain closed on Saturday

- Cotton futures ends higher as millers were buying actively in the market.
- The March cotton contract on ICE Futures U.S. rose the 4 cent limit to end at \$1.7622 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	1040-1042	1057	1062	1029	978	1005	1032.1	1070	1097

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