



### 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 remained steady to firm in the domestic markets as arrivals declined in the markets.
- ✓ 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.
- ✓ However US markets fell as National Cotton Council of America survey expected to show that farmers plan to lift cotton sowings by 15%, equivalent to some 1.6m acres highest in 5 years.
- ✓ Markets also fell as weekly US data showed a slide to less than 280,000 running bales in US cotton exports, below market expectations of a figure of up to 400,000 running bales.
- ✓ 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.

***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	6100-6300	+120	54425
Amravati (Maharashtra)	Vunni Mech1	5900-6150	-	250
Ahmedabad (Gujarat)	Shankar	6125-6400	+250-400	45000
Sirsa (Haryana)	J-34	5290-5325	-	500
Abohar (Punjab)	J-34	5350-5400	+40-50	400
Muktsar (Punjab)	J-34	5460-5750	+260-510	150

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 03<sup>rd</sup> February 2011

Month	Open	High	Low	Close	Change
Mar-11	179.10	181.22	171.22	171.86	-4.36
May-11	173.00	176.00	167.03	167.82	-3.18
Dec-11	117.56	120.48	114.39	116.06	-2.31

\*ICE futures remain closed on Saturday

- Cotton futures fall ahead of a report expected to forecast a jump in sowings in the US.
- Cotton for March delivery fell 4.36 cents, or 2.5%, to settle at \$1.7186 a pound on ICE Futures U.S. in New York.


**Technical Analysis:**

- Candlestick formation in the chart reveals bearish 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 down in the overbought region and is still warranting caution to the bulls.
- Kapas futures are likely to trade range bound with a weak bias in next trading session.


**Trade Recommendation**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL	1020-1022	1005	1000	1033	964	988	1012	1049	1086

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