



### Price Drivers

- ❖ World cotton production to rise by 15%.
- ❖ U.S acreage to increase by 14%.
- ❖ Floods and cyclone in Australia may cause further crop losses.
- ❖ Firm Chinese demand.
- ❖ Overseas mill buying and shortage of stocks.
- ❖ Planters are hoarding stocks.

### Fundamental Analysis

- ✓ Cotton markets remain mixed on Monday as arrivals declined in most of the markets.
- ✓ However sentiments remained weak as global markets slip on USDA report of world cotton production to rise by 15% during 2010-11 to 25 million tonnes.
- ✓ Markets sentiments remained weak as cotton farmers in the U.S may increase acreage by 14% this year.
- ✓ However after devastating effect of floods on cotton farmlands in Pakistan and Australia, combined with an increased demand for the fibre in China.
- ✓ Milling has stopped as farmers everywhere have started to hoard cotton stocks in anticipation of higher prices.
- ✓ ICAC report says that very low world stocks of cotton, limited supply, robust demand, and a depreciation of the U.S dollar may continue to drive the markets higher in the longer run.
- ✓ Cotton market sentiments remain bullish supported by overseas mill buying and shortage of stocks expected in India and U.S.
- ✓ Sources added that cotton markets may continue uptrend on anticipation of shortfall of supplies may not be able to meet the rising Chinese demand.
- ✓ 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.
- ✓ Planters' throughout India are not bringing in stocks in anticipation of higher prices.

***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	6150-6325	-25	32655
Amravati (Maharashtra)	Vunni Mech1	5900-6100	+150	200
Ahmedabad (Gujarat)	Shankar	5940-6050	-50	45000
Sirsa (Haryana)	J-34	5300-5350	+40	300
Abohar (Punjab)	J-34	5500-5550	+200	150
Muktsar (Punjab)	J-34	5400-5500	-250	125

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 04<sup>th</sup> February 2011

Month	Open	High	Low	Close	Change
Mar-11	171.86	172.44	167.86	167.86	-4.00
May-11	168.15	168.46	163.82	163.82	-4.00
Dec-11	115.00	116.80	113.00	113.91	-2.15

\*ICE futures remain closed on Saturday

- Cotton futures ended lower on signs of falling demand for U.S. fibre.
- Cotton for March delivery fell 4.00 cents to settle at \$1.6786 a pound on ICE Futures U.S. in New York.



### Technical Analysis:

- 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 still 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	1060-1062	1077	1082	1049	1009.7	1040.4	1071.2	1086.5	1101.9

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