



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.
- ❖ Short supply and firm demand for cotton.
- ❖ Farmers are hoarding cotton stocks in anticipation of higher prices.
- ❖ Firm Chinese demand.

Fundamental Analysis

- ✓ Cotton cash markets ends higher on Tuesday supported by growing demand for the commodity.
- ✓ Market uptrend was also supported by reports of National Cotton Council of America that the fiber will remain in short supply this year while demand stays strong.
- ✓ At the same time, National Cotton Council of America also added that U.S. acreage plantings this year to increase about 14% at 12.5 million acres as planters want to capitalize from higher markets.
- ✓ USDA also reported that world cotton production to rise by 15% during 2010-11 to 25 million tonnes.
- ✓ Markets also moved higher after Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said on Tuesday that around 7% of Australia's 2010/11 cotton plantings were destroyed by heavy rains and floods and between 15 and 20% of the plantings were damaged by the cyclone last week.
- ✓ 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.

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	-	32655
Amravati (Maharashtra)	Vunni Mech1	6100-6300	+200	100
Ahmedabad (Gujarat)	Shankar	6250-6650	+600	45000
Sirsa (Haryana)	J-34	5500-5540	+190	400
Abohar (Punjab)	J-34	5500-5600	+50	150
Muktsar (Punjab)	J-34	5600-5650	+150	150

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 07th February 2011

Month	Open	High	Low	Close	Change
Mar-11	167.51	174.86	164.76	174.51	+6.65
May-11	163.25	170.82	161.75	170.82	+7.00
Dec-11	113.20	120.49	113.00	118.87	+4.96

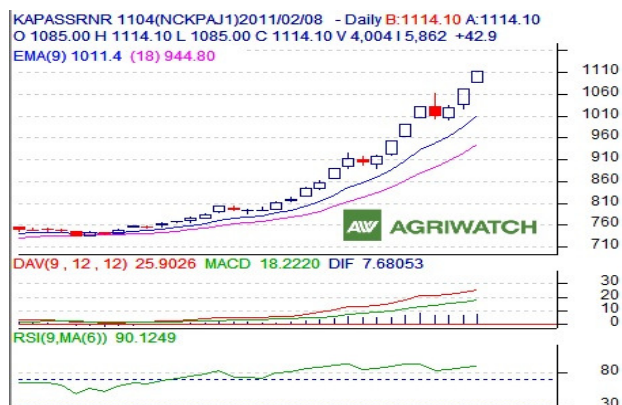
*ICE futures remain closed on Saturday

- Cotton futures surges higher on combination of growing cotton demand and a buying by speculators.
- The March cotton contract on ICE Futures U.S. rose 6.65 cents or 4% to end at \$1.7451 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 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	1100-1102	1117	1122	1089	1043	1057	1114.1	1143	1171

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