



## Price Drivers

- ❖ Firm mill consumption.
- ❖ Lower supply this year.
- ❖ Traders concerned about the widening gap between demand and supply.
- ❖ CCI revised estimates for Gujarat during the 2010-11 season is at 1.03 crore bales.
- ❖ Pakistan to import over 2 million bales.
- ❖ Cotton production for 2010-11 season will be at 33.9 million bales.

## Fundamental Analysis

- ✓ Cotton ends higher on amid Chinese hike in interest rates, supported by firm demand and speculative buying.
- ✓ Cotton continues its uptrend supported by firm mill consumption and lower supply this year.
- ✓ Sources say that one of the major reasons for the current uptrend is that widening gap between demand and supply.
- ✓ Cotton Corporation of India (CCI) said on Tuesday that revised production estimates in Gujarat during the 2010-11 season (October-September) is pegged close to 1.03 crore bales (170 kg) against preliminary estimates of 1.10 crore bales.
- ✓ CCI also added that the cotton consumption by mills in India in 2010-11 at close to 255 million bales.
- ✓ However CCI added that about 65 lakh bales will be remaining for domestic consumption after 55 lakh bales of exports.
- ✓ Markets also moved higher after Pakistan is expected to import over 2 million bales to meet demands until June as floods in the sowing are destroyed the crops.
- ✓ Separately, the Agriculture Minister Mr. Sharad Pawar said on Tuesday that India is likely to achieve record production of cotton this at 33.9 million bales of 170 kg each against 24.2 million bales last year.
- ✓ Separately, sources reported in sowing areas of New South Wales, Australia have reported attack from locusts.
- ✓ Sources say that most of the cotton crops have been destroyed by floods and cyclone and locusts attack could cause further shortage in the country.

***Cotton markets could continue to move higher on firm mill demand and shortage expected 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      | 6500-     | 350-   | 32655    |
|                        | Cotton  | 6750      | 425    |          |
| Amravati (Maharashtra) | Vunni   | 6350-     | 200-   | 200      |
|                        | Mech1   | 6500      | 250    |          |
| Ahmedabad (Gujarat)    | Shankar | 6500-     | 100-   | 45000    |
|                        |         | 6750      | 250    |          |
| Sirsa (Haryana)        | J-34    | 5700-5740 | 200    | 500      |
| Abohar (Punjab)        | J-34    | 5700-5800 | 200    | 200      |
| Muktsar (Punjab)       | J-34    | 5800-5850 | 200    | 200      |

Scale: 1bale = 170kg;

## International Market Analysis

ICE Cotton Futures Prices as on 08<sup>th</sup> February 2011

| Month  | Open   | High   | Low    | Close  | Change |
|--------|--------|--------|--------|--------|--------|
| Mar-11 | 174.51 | 178.16 | 172.94 | 175.29 | 0.78   |
| May-11 | 171.65 | 175.25 | 170.83 | 173.70 | 2.88   |
| Dec-11 | 118.35 | 120.90 | 118.35 | 120.56 | 1.69   |

\*ICE futures remain closed on Saturday

- Cotton futures ends higher due to tight stocks and efficient mill demand.
- The March cotton contract on ICE Futures US increased 0.78 cent to conclude at \$1.7529 per lb.



### Technical Analysis:

- Kapas chart continues its movement 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 weak bias in next trading session.



### Trade Recommendation

| Contract  | Call | Entry     | T1   | T2   | SL     | S2     | S1     | PCP    | R1     | R2     |
|-----------|------|-----------|------|------|--------|--------|--------|--------|--------|--------|
| NCDEX-Apr | SELL | 1173-1175 | 1153 | 1148 | 1188.5 | 1122.5 | 1129.7 | 1158.7 | 1192.6 | 1199.8 |

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