



Price Drivers

- ❖ Firm millers demand.
- ❖ Lower arrivals as production estimated to be lower.
- ❖ Widening gap between demand and supply.
- ❖ Cotton production for 2010-11 season will be at 33.9 million bales.
- ❖ World production to be lower as per latest USDA estimates.
- ❖ CCI revised estimates for Gujarat during the 2010-11 season is at 1.03 crore bales.

Fundamental Analysis

- ✓ Cotton markets surge higher on firm mill buying and lower arrivals expected in the market.
- ✓ Cotton markets moved higher as sources say that mill consumption will be higher as millers fear shortage of stocks.
- ✓ Sources say that one of the major reasons for the current uptrend is that widening gap between demand and supply.
- ✓ Sources also 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 Corporation of India (CCI) revised its production estimates in Gujarat during the 2010-11 season at 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.
- ✓ However, the Agriculture Minister Mr. Sharad Pawar added 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.
- ✓ Cotton markets also moved higher after a U.S. government report showed global production will be smaller than previously forecast.
- ✓ USDA said that World cotton output will be 115.25 million bales in the year ending July 31st 2011, down from 115.46 million forecast in January 2011, with demand estimated at 116.55 million bales.

Cotton markets could continue to move higher on firm mill demand and shortage expected in the market.

Prices (Rs/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6825-7105	325-355	43540
Amravati (Maharashtra)	Vunni Mech1	6600-6750	250	300
Ahmedabad (Gujarat)	Shankar	6500-6750	-	45000
Sirsa (Haryana)	J-34	6000	460-500	400
Abohar (Punjab)	J-34	6000-6025	425-500	200
Muktsar (Punjab)	J-34	6075	425-475	150

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 09th February 2011

Month	Open	High	Low	Close	Change
Mar-11	175.30	182.29	173.67	180.58	5.29
May-11	174.45	180.69	171.71	177.98	4.28
Dec-11	120.88	125.25	120.20	124.55	3.99

*ICE futures remain closed on Saturday

- Cotton futures ends higher as millers have started buying as they fear of shortage of cotton stocks.
- Futures contract for March rose 3% or 5.29 cents, to conclude at \$1.8058 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	1207-1209	1192	1187	1220	1143	1174	1205.1	1236	1267

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