



### Price Drivers

- ❖ Higher arrivals in the market as prices skyrocket.
- ❖ U.S. export sales rose 26%.
- ❖ World cotton output will be 115.25 million bales.
- ❖ Mill consumption will be higher as millers fear shortage of stocks.
- ❖ Indian government is not expected to increase its current export cap of 5.5 million bales.
- ❖ Hoarding from farmers.

### Fundamental Analysis

- ✓ Cotton markets slipped as arrivals in most centers improved on Friday.
- ✓ Planters bought in more stocks as cotton prices were high.
- ✓ However globally markets were firm after USDA said that U.S. export sales rose 26% in the week to February 3<sup>rd</sup> 2011 from a week earlier.
- ✓ Sentiments remained firm as USDA forecasted that world cotton output will be 115.25 million bales in the year ending July 31<sup>st</sup> 2011, down from 115.46 million forecast in January 2011, with demand estimated at 116.55 million bales.
- ✓ Out of this Central Asia will be 7.02 million bales, down 2.1 percent from last month's projection at 7.17 million bales.
- ✓ Sentiments remained firm as sources say that mill consumption will be higher as millers fear shortage of stocks and there is a widening gap between demand and supply.
- ✓ Sentiments also remained firm after the Indian government is not expected to increase its current export cap of 5.5 million bales.
- ✓ Sources added that firm Chinese demand in the longer run is expected to keep the markets higher even though production is likely to be slightly better.
- ✓ Sentiments were also firm mainly due to cotton export, low arrival and hoarding by farmers and ginners.
- ✓ Sources added that higher rates of cotton are also due to lower yield this year due to untimely rain in all sowing areas.
- ✓ However, 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 could continue to move higher on firm mill demand and shortage expected in the market.***

### Prices (Rs/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	7000-7050	-55	54425
Amravati (Maharashtra)	Vunni Mech1	6500-6700	-50	400
Ahmedabad (Gujarat)	Shankar	6750-7250	+250	45000
Sirsa (Haryana)	J-34	5900-6000	-100	300
Abohar (Punjab)	J-34	5900-5925	-100	500
Muktsar (Punjab)	J-34	5900-5960	-115	200

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 10<sup>th</sup> February 2011

Month	Open	High	Low	Close	Change
Mar-11	183.18	187.58	183.00	187.58	+7.00
May-11	180.88	184.98	179.44	184.98	+7.00
Dec-11	125.50	131.55	125.50	131.50	+6.95

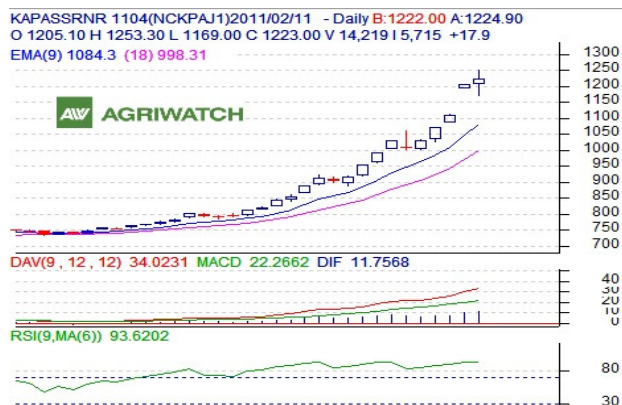
\*ICE futures remain closed on Saturday

- Cotton futures surged higher as increased U.S. export sales boosted speculation that demand will continue to grow.
- Cotton for March delivery rose 3.9% to settle at \$1.8758 a pound on ICE Futures U.S



### 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 firm bias in next trading session.



### Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	BUY	1193-1195	1220	1225	1177	1131	1166	1223	1261	1299

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