



### Price Drivers

- ❖ Firm millers demand.
- ❖ 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.
- ❖ Strong Chinese demand.
- ❖ Lower yield expected in many sowed areas.

### Fundamental Analysis

- ✓ Cotton markets ended mixed on Saturday amid firm spot and mill demand in the markets.
- ✓ 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 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.
- ✓ Cotton markets moved higher as sources say that mill consumption will be higher as millers fear shortage of stocks.
- ✓ 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.
- ✓ 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.
- ✓ Planters bought in more stocks as cotton prices were high.

***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	6825-7000	-50	43540
Amravati (Maharashtra)	Vunni Mech1	6600-6680	-20	300
Ahmedabad (Gujarat)	Shankar	6750-7250	-	45000
Sirsa (Haryana)	J-34	6100-6120	+120	300
Abohar (Punjab)	J-34	5900-5925	-	500
Muktsar (Punjab)	J-34	5900-5960	-	200

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 11<sup>th</sup> February 2011

Month	Open	High	Low	Close	Change
Mar-11	190.52	194.55	187.96	189.97	+2.39
May-11	184.98	189.40	182.45	185.56	+0.58
Dec-11	131.00	132.20	127.70	129.00	-2.50

\*ICE futures remain closed on Saturday

- Cotton futures ended higher on trade and speculative buying.
- The March cotton contract on ICE Futures U.S. rose 2.39 cents or 1.3% to \$1.8957 a pound.


**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 flat 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	1250-1252	1230	1225	1265.5	1179	1210	1242.2	1273	1304

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