

## FUNDAMENTALS AND NEWS

- ✓ Cotton markets ended higher on firm mill demand and shortage of stocks expected throughout the globe in 2011-12.
- ✓ Markets moved higher this fortnight as Chinese imports were higher in 2009-10 totaling 2.84 million metric tonnes a jump of 86%.
- ✓ Sentiments also remained firm after sources suggested that farmers in China are hoarding cotton stocks in anticipation of even higher markets.
- ✓ Markets also moved higher after Southern India Mills Association (SIMA) stated that, the country's overall cotton production for 2010-11 is expected to touch 30.9 million bales compared to previous estimate of 32.5 million bales and the total consumption is estimated at 28.5 million bales.
- ✓ The uptrend was also supported by USDA reports that global output will be 25.138 million tonnes in the year that began August 1<sup>st</sup> 2010, down from a December estimate of 25.154 million tonnes.
- ✓ Markets also moved higher supported by analysts saying that demand has outpaced supply over the last 5 years and will continue to do in the next 5 years.
- ✓ Sources also added that demand from emerging markets like China, India and Pakistan has been pushing up prices.
- ✓ Cotton markets surges higher supported by overseas mill buying and shortage of stocks expected in India and U.S.
- ✓ Sources added that markets also moved higher as a cyclone in Australia would hit prime cotton-growing areas and may cause further crop losses after the devastating floods in Australia.
- ✓ Markets also moved higher supported by reports of shortfall of stock in Pakistan by 2.5 million bales after floodwater destroyed its fields in July and August.
- ✓ Markets sentiments remained firm after an ICAC report said 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.
- ✓ 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.
- ✓ 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.

## OUTLOOK: Short Term (One fortnight)

***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 at Key Markets (Rs/Candy)				
State	Centre	Variety	Prices	
			29-01-11	12-02-11
Haryana	Sirsa	J-34	4980	6100-6120
Punjab	Muktsar	J-34	5080	5900-5960
	Abohar	J-34	5031	5900-5925
Gujarat	Kadi	BT	5650-5875	6825-7000
	Ahmedabad	Shankar	5500-5750	6750-7250
Maharashtra	Amravati	Vunni Mech1	5800-5950	6600-6680

Cumulative Arrival (in bales) in markets from 29-01-11 to 12-02-11		
State	Center	Arrivals
Haryana	Sirsa	5,400
Punjab	Muktsar	2,125
	Abohar	3,250
Gujarat	Ahmedabad	520,000
	Kadi	567,480
Maharashtra	Amravati	2,400

### Technical Analysis:

- ✓ Prices have closed above the 9 and 18-day EMAs supporting the firm trend in short term.
- ✓ MACD is moving up supports the bullish sentiments.
- ✓ RSI is moving down in the overbought region and is warranting caution to the bulls.
- ✓ Kapas futures are likely to remain range bound with a firm bias for the coming fortnight.
- ✓ Key supports are at 761 and 1002.
- ✓ Key resistances are at 1369 and 1494.
- ✓ So buy on any dip in the market near supports.



### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>