



Price Drivers

- ❖ Shortage of stocks expected in 2011-12.
- ❖ Firm demand from miller's throughout the globe.
- ❖ Lower production estimates.
- ❖ India's acreage may decline due to seed shortage.
- ❖ Bad weather conditions in Australia and Pakistan.
- ❖ Planters are hoarding stocks.

Fundamental Analysis

- ✓ Cotton markets in Punjab remain higher supported by firm millers demand as they expect a shortage in stocks.
- ✓ However other markets remained weak as stockists offloaded stocks at high.
- ✓ Markets fell as selling in the futures counter partially influenced the weakness in the cash markets.
- ✓ Sources added that markets will continue the uptrend as they expect on 2.4 million bales left after the 5.5 million bales export of cotton.
- ✓ Sentiments remained firm as USDA forecasted 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.
- ✓ Markets also moved higher after China Cotton Association says only 10% more area will be sown for 2011-12 in China.
- ✓ Sentiments also remained firm after India's acreage may fall due to seed shortage.
- ✓ Sources say supply of BT cotton seed may be at least 10% short of demand after bad weather affected production.
- ✓ Sources added that firm Chinese demand in the longer run is expected to keep the markets higher.
- ✓ Sentiments were also firm mainly due to cotton export, low arrival and hoarding by farmers and ginner.
- ✓ Cotton markets moved higher as sources say that mill consumption will be higher as millers fear shortage of stocks.
- ✓ 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.
- ✓ Apart from this bad weather conditions in Australia and Pakistan will definitely create further shortage and this will continue to push markets higher.

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

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6800-7000	-400	54425
Amravati (Maharashtra)	Vunni Mech1	6600-6690	-	400
Ahmedabad (Gujarat)	Shankar	6625-7000	-260	30000
Sirsa (Haryana)	J-34	6000-6050	-85	100
Abohar (Punjab)	J-34	6100-6125	+195	100
Muktsar (Punjab)	J-34	6100-6150	+180	200

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 14th February 2011

Month	Open	High	Low	Close	Change
Mar-11	190.75	191.60	185.10	186.05	-3.92
May-11	186.61	187.15	182.00	183.06	-2.50
Dec-11	128.00	129.00	122.00	122.68	-6.32

*ICE futures remain closed on Saturday

- Cotton futures ended lower as traders have liquidated their positions in the futures market.
- Cotton for March delivery fell 3.92 cents to settle at \$1.8605 a pound.



Technical Analysis:

- Candlestick formation in the chart reveals bearish 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 down 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	1137	1163	1189.1	1226	1243

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