



## Price Drivers

- ❖ Shortage of stocks expected in 2011-12.
- ❖ Firm demand from miller's globally.
- ❖ Lower production estimates.
- ❖ India's acreage may decline due to seed shortage.
- ❖ Selling in the futures counter.
- ❖ Planters are hoarding stocks.

## Fundamental Analysis

- ✓ Mixed sentiments were witnessed at key cotton centers on varied factors Thursday.
- ✓ However, the overall sentiments of cotton remain firm.
- ✓ Farmers are holding back the stock in anticipation of higher cotton price in coming days.
- ✓ 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 31<sup>st</sup> 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 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 ginneries.
- ✓ 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 may fall on weak demand in the short-term. However in the long term markets will continue its uptrend on lower stock expectations due to lower global production expected.***

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6600-6825	-175	32655
Amravati (Maharashtra)	Vunni Mech1	6300-6500	-100	300
Ahmedabad (Gujarat)	Shankar	6500-6750	-250	30000
Sirsa (Haryana)	J-34	6000-6100	+50	100
Abohar (Punjab)	J-34	6100-6130	+5	150
Muktsar (Punjab)	J-34	6200-6250	+100	100

Scale: 1bale = 170kg;

## International Market Analysis

ICE Cotton Futures Prices as on 16th February 2011

Month	Open	High	Low	Close	Change
Mar-11	192.83	197.02	191.38	197.02	+7.00
May-11	188.86	194.93	188.86	194.93	+7.00
Jul-11	179.97	186.56	179.97	186.56	+7.00

\*ICE futures remain closed on Saturday

- Cotton prices surge higher after India announced that it would maintain its current cotton export limit.
- The March contract ended higher by 7.00 cents to end at 197.02.



### 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 moving down in the overbought region and is still warranting caution to the bulls.
- Kapas futures are likely to trade range bound with firm bias in next trading session.



### Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	BUY	>1205	1220	1225	1200	1158	1176	1219.9	1253	1260

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