



Price Drivers

- ❖ USDA and ICAC have reported higher production this year.
- ❖ India's production to be higher for 2010-11.
- ❖ Millers have stopped their buying due to higher prices.
- ❖ Chinese demand to remain firm.
- ❖ U.S exports to be higher this year.
- ❖ Crop losses expected in Australia and Pakistan.

Fundamental Analysis

- ✓ Cotton markets fell on reports of higher production estimates in the markets.
- ✓ Cotlook said that production will exceed demand by 1.2 million metric tons in the season making up for about a third of the shortfall in the past two years.
- ✓ World cotton production will gain 13% to a record 27.65 million tonnes, more than the projected 4.4% increase in consumption according to Cotlook.
- ✓ ICAC says the world cotton production will gain 15% to a record 25 million tonnes during 2010-11.
- ✓ India's production is also expected to be higher at 33.9 million bales of 170 kg each against 24.2 million bales last year.
- ✓ Saturday's weak markets were influenced by reports that millers have stopped buying due to higher prices and this may slow down buying activity in the markets.
- ✓ However sources added that demand from China will remain firm which may continue to support the uptrend in the long run.
- ✓ USDA added that China will consume 47 million bales, exceeding domestic output estimated at 30 million bales.
- ✓ Markets also moved higher after USDA reported that exporters in the U.S. sold 181,200 bales of the upland cotton from the previous harvest in the week to February 10th 2010, up 63% from a week earlier.
- ✓ Sources added that higher rates of cotton are also due to lower yield this year due to untimely rain in all sowing areas.
- ✓ Cotton markets moved higher as sources say that mill consumption will be higher as millers fear shortage of stocks.
- ✓ 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 slightly on weak buying activity from millers and lower demand in the market. In the long term markets cotton markets will move higher on global shortage expected this year.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6700-6825	-175	10885
Amravati (Maharashtra)	Vunni Mech1	Closed	-	Closed
Ahmedabad (Gujarat)	Shankar	6625-6750	-	35000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	No Trade	-	No Trade
Muktsar (Punjab)	J-34	No Trade	-	No Trade

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 18th February 2011

Month	Open	High	Low	Close	Change
May-11	208.93	208.93	194.93	194.93	-7.00
Jul-11	200.56	200.56	186.56	186.56	-7.00
Jul-11	132.38	133.01	126.39	126.39	-7.00

*ICE futures remain closed on Saturday

- Cotton futures fell on speculation that the global crop will increase and deficit will be covered by the increase in production.
- Cotton futures for May delivery fell by 7 cents, or 3.5%, to settle at \$1.9493 on ICE in New York.


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 weak bias in next trading session.


Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL	1208-1210	1193	1188	1221	1165	1182	1198.6	1226	1234

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