



Price Drivers

- ❖ Stockists offloaded stocks at high.
- ❖ Arrivals across mandis improved during the October 1st 2010 to February 20th 2011.
- ❖ Plantings in U.S Alabama district could increase.
- ❖ World cotton production will gain 13% to a record 27.65 million tonnes.
- ❖ India's production is also expected to be higher at 33.9 million bales.
- ❖ However, Chinese consumption will remain higher in 2010-11.

Fundamental Analysis

- ✓ Cotton markets slipped as demand remained weak and stockists offloaded stocks at high.
- ✓ Cotton fell after the latest report from Cotton Corporation of India said that cotton arrivals in the major mandis increased by 4.7% from a year earlier to 22.2 million bales during the October 1st 2010 to February 20th 2011.
- ✓ Cotton Corporation of India added arrivals gained by 2.9% to 7.1 million bales while in Maharashtra arrivals increased by nearly 37% to 5.6 million bales and in Andhra Pradesh arrivals gained about 13% to 3.6 million bales.
- ✓ Markets also fell after reports from U.S Alabama that increase in cotton prices could lead Alabama farmers to plant 10 to 15% more of the crop this year.
- ✓ Markets fell as 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 also added that 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.
- ✓ 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.
- ✓ Separately, cotton bales worth 70 million rupees were destroyed in a fire at the warehouse of the Gujco Marshall Mill in Amreli district of Ahmedabad in Gujarat state on Sunday.

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	6625-6775	-50	10885
Amravati (Maharashtra)	Vunni Mech1	6200-6400	-200	100
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 indecision in the market.
- Prices are above the 9 and 18-day EMAs supporting the firm trend in short term.
- MACD is moving up supports bullish market.
- RSI is moving down in supports bearish market.
- **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	1198-1200	1178	1173	1213.5	1144.2	1163.6	1193	1231.8	1246.5

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