



Price Drivers

- ❖ Lower demand from exporters and millers.
- ❖ Stockists offloading stocks.
- ❖ Arrivals across mandis improved during the October 1st 2010 to February 20th 2011.
- ❖ 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

- ✓ Markets fell on lower demand from exporters and millers on Tuesday.
- ✓ Cotton markets slipped as 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 say that prices of cotton are expected to stay firm in the near future due to a global shortage.
- ✓ Sources also added that prices of cotton are expected to stay firm as farmers and traders hold on to supplies in local markets, in anticipation of higher prices in the international 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.

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/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6400-6625	-150	21770
Amravati (Maharashtra)	Vunni Mech1	6150-6350	-50	400
Ahmedabad (Gujarat)	Shankar	6500-6625	-25	20000-25000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	6200	-	100
Muktsar (Punjab)	J-34	6230	-	50

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 21st February 2011

Month	Open	High	Low	Close	Change
May-11	Closed	Closed	Closed	Closed	Closed
Jul-11	Closed	Closed	Closed	Closed	Closed
Jul-11	Closed	Closed	Closed	Closed	Closed

*ICE futures remain closed on Saturday

- US markets were closed on Monday for the President's Day public holiday.



Technical Analysis:

- Candlestick formation in the chart hints negative trend.
- Prices are below the 9-day EMAs supporting the bearish trend in short term.
- MACD and RSI are moving down 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	1160-1162	1145	1142	1172	1120	1138	1158.3	1176	1193

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