



Price Drivers

- ❖ Subdued demand from millers and exporters.
- ❖ 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.
- ❖ China's cotton output is estimated at 45 million bales.

Fundamental Analysis

- ✓ Cotton markets remain weak on subdued millers and exporters demand.
- ✓ Stockists continue to offload stocks at high and this may continue to pull the markets down.
- ✓ 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.
- ✓ 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.
- ✓ Separately, a non-profit body ISAAA said that India may overtake China as the world's largest cotton producer by 2015 with the advantage of increased adoption of hybrid seeds and expected launch of newer biotechnology traits in cotton.
- ✓ Currently China's cotton output is estimated at 45 million bales (170 kg each) in 2010-11.
- ✓ 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/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6300-6600	-25	10855
Amravati (Maharashtra)	Vunni Mech1	5900-6200	-150	400
Ahmedabad (Gujarat)	Shankar	6500-6625	-	20000-25000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	6100-6500	+300	200
Muktsar (Punjab)	J-34	6100-6150	-80	50

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 22nd February 2011

Month	Open	High	Low	Close	Change
May-11	188.93	189.22	187.93	187.93	-7.00
Jul-11	180.00	180.00	179.56	179.56	-7.00
Dec-11	119.78	121.90	119.39	119.39	-7.00

*ICE futures remain closed on Saturday

- Cotton futures end lower after the long weekend on profit taking from market participants in the market.
- May cotton on ICE Futures U.S. tumbled its 7-cent limit, or 3.43 percent, to \$1.8793 cents a lb.


Technical Analysis:

- Candlestick formation in the chart hints negative trend.
- Prices are below the 9 and 18-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	1128-1130	1113	1108	1141	1083	1101	1118.7	1148	1177

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