



Price Drivers

- ❖ USDA projects record world cotton output in 2011-12.
- ❖ Arrivals across mandis improved during the October 1st 2010 to February 20th 2011.
- ❖ Weak demand from millers.
- ❖ Overseas demand for Indian cotton is higher.
- ❖ Indian output to be lower in 2010-11.
- ❖ China's cotton output is estimated at 45 million bales.

Fundamental Analysis

- ✓ Cotton markets falls after USDA projects record cotton crop during 2011-12.
- ✓ World cotton production is projected at 127.5 million bales up 10.6% from 2010-11. USDA has also projected global cotton consumption at 120 million bales during 2011-12 up 3% from 2010-11.
- ✓ USDA also projected an increase of U.S cotton plantings at 13 million acres compared to 10.97 million acres from 2010-11. U.S cotton exports are projected at 15 million bales and end stocks is projected at 2.9 million bales. USDA projects U.S cotton crop at 19.5 million bales during 2011-12 up 37 from 2010-11.
- ✓ 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.
- ✓ Indian cotton prices corrected this week on lower purchases from millers and as a drop in global market hurt sentiment.
- ✓ Markets also fell on lack of demand from consumers and this may continue till prices continue to come at a reasonable level.
- ✓ However overseas demand for Indian cotton has increased after bad weather hit crops in China and Pakistan.
- ✓ Sources also added that markets in the longer run may see at higher levels as arrivals are indicating that the output will be less than projected.
- ✓ Separately, India has the world's fourth largest area under genetically modified (GM) crops. The country's GM crop acreage in 2010, at 9.4 million hectares, was next only to the US at 66.8 million hectares, Brazil at 25.4 million hectares and Argentina at 22.9 million hectares and ahead of Canada at 8.8 million hectares and China at 3.5 million hectares.

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	6150-6275	-325	16327
Amravati (Maharashtra)	Vunni Mech1	5800-6100	-100	400
Ahmedabad (Gujarat)	Shankar	6250-6375	-250	20000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	5800-5810	-690	200
Muktsar (Punjab)	J-34	5810-5850	-300	150

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 23rd February 2011

Month	Open	High	Low	Close	Change
May-11	181.54	187.85	180.93	184.23	-3.70
Jul-11	176.05	177.50	172.56	175.59	-3.97
Dec-11	118.00	122.60	113.00	120.75	+1.36

*ICE futures remain closed on Saturday

- Cotton futures fall on higher production estimates during 2011-12.
- May contract falls 3.7 cents to end at 1.8423 a pound on ICE.



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	1100-1102	1085	1080	1113	1048	1068	1088	1115	1136

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