



Price Drivers

- ❖ Miller's demand improved at lows.
- ❖ Increase of arrivals in the domestic mandis.
- ❖ USDA projects record world cotton output in 2011-12.
- ❖ Overseas demand for Indian cotton is higher.
- ❖ China's cotton output is estimated at 45 million bales.

Fundamental Analysis

- ✓ Cotton markets ended higher on Saturday supported by rebound in spot and millers demand.
- ✓ However sentiments initially remained weak 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.
- ✓ Markets also remained weak initially 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.
- ✓ 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.
- ✓ Separately, Indian production is also expected to be higher at 33.9 million bales of 170 kg each against 24.2 million bales last year.
- ✓ However after the initial drop markets saw a rebound at lows on higher purchases from millers.
- ✓ 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.

Cotton markets may rebound slightly on rebounding demand from millers at lows of 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	6325-6600	+350	16327
Amravati (Maharashtra)	Vunni Mech1	5900-6100	+200	400
Ahmedabad (Gujarat)	Shankar	6250-6400	+150	20000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	5700-5725	-	150
Muktsar (Punjab)	J-34	5750-5800	-	100

Scale: 1bale = 170kg;

International Market Analysis

ICE Cotton Futures Prices as on 25th February 2011

Month	Open	High	Low	Close	Change
May-11	176.23	184.23	175.13	184.23	+7.00
Jul-11	167.31	175.59	166.84	175.59	+7.00
Dec-11	115.74	122.74	115.01	122.74	+7.00

*ICE futures remain closed on Saturday

- Cotton futures rebound to end higher on firm buying from millers.
- Cotton Futures settled at \$1.8423 a pound for the May contract at ICE New York Futures reaching the daily limit of 7 cents.



Technical Analysis:

- Candlestick formation in the chart hints at positive trend.
- Prices are above the 9 and 18-day EMAs supporting the bullish trend in short term.
- MACD is moving down supports bearish market.
- RSI is moving up supports bullish market.
- **Kapas futures are likely to trade range bound with firm bias in next trading session.**



Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	BUY	1148-1150	1165	1170	1137	1107	1133	1159.4	1173	1187

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