



### Price Drivers

- ❖ Cotton Advisory Board has reduced its cotton output estimates by 5%.
- ❖ Area under cotton cultivation estimated higher.
- ❖ Production estimates has also been scaled down.
- ❖ Miller's demand improved at lows.
- ❖ Increase of arrivals in the domestic mandis.
- ❖ USDA projects record world cotton output in 2011-12.

### Fundamental Analysis

- ✓ Cotton markets ends higher on Monday as Cotton Advisory Board has reduced its cotton output estimates by 5%.
- ✓ Area under cotton cultivation was estimated higher at 111.61 lakh hectares against 110.55 lakh hectares earlier estimate.
- ✓ The production estimates has also been scaled down from 32.9 million bales (1 bale = 170 kg), to 31.2 million bales.
- ✓ The production estimates was scaled down due to lower arrivals in the domestic markets in India.
- ✓ The main shortfall has been attributed to the Central Zone, wherein, output estimates have fallen to 20.1 million bales as against 21.3 million bales.
- ✓ Production estimate in Maharashtra was lowered to 82 lakh bales against the earlier estimate of 92 lakh bales, Gujarat it was 102 lakh bales against 103 lakh bales, while in Madhya Pradesh it was 17 lakh bales against 18 lakh bales.
- ✓ Cotton Advisory Board also added that total carryover stocks for the next season are likely to decline to 2.75 million bales, down by 1.25 million bales.
- ✓ However 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 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/qlt) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6300-6825	+225	21777
Amravati (Maharashtra)	Vunni Mech1	5900-6100	-	400
Ahmedabad (Gujarat)	Shankar	6625-6750	+350	20000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	6100-6125	+400	150
Muktsar (Punjab)	J-34	6100-6170	+370	50

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 25<sup>th</sup> 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 reveals indecision.
- 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	1183-1185	1200	1205	1172	1140	1168	1195	1214	1233

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