

FUNDAMENTALS AND NEWS

- ✓ Cotton markets were weak this fortnight 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.
- ✓ 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.
- ✓ Markets also fell on lack of demand from consumers and this may continue till prices continue to come at a reasonable level.
- ✓ However millers returned at lower levels to finish their quota.
- ✓ Sources say supply of BT cotton seed may be at least 10% short of demand after bad weather affected production.
- ✓ Sources added that firm Chinese demand in the longer run is expected to keep the markets higher.
- ✓ Sentiments were also firm mainly due to cotton export, low arrival and hoarding by farmers and ginners.
- ✓ Cotton markets moved higher as sources say that mill consumption will be higher as millers fear shortage of stocks.
- ✓ Cotton markets remained positive in the end 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.

OUTLOOK: Short Term (One fortnight)

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 at Key Markets (Rs/Candy)				
State	Centre	Variety	Prices	
			12-02-11	26-02-11
Haryana	Sirsa	J-34	6100-6120	-
Punjab	Muktsar	J-34	5900-5960	5700-5725
	Abohar	J-34	5900-5925	5750-5800
Gujarat	Kadi	BT	6825-7000	6325-6600
	Ahmedabad	Shankar	6750-7250	6250-6400
Maharashtra	Amravati	Vunni Mech1	6600-6680	5900-6100

Cumulative Arrival (in bales) in markets from 12-02-11 to 26-02-11		
State	Center	Arrivals
Haryana	Sirsa	450
Punjab	Muktsar	1,800
	Abohar	1,250
Gujarat	Ahmedabad	365,000
	Kadi	281,555
Maharashtra	Amravati	3,950

Technical Analysis:

- ✓ Prices have closed above the 9 and 18-day EMAs supporting the firm trend in short term.
- ✓ MACD is moving down supports the bearish sentiments.
- ✓ RSI is moving up supports the bullish sentiments.
- ✓ Kapas futures are likely to remain range bound with a firm bias for the coming fortnight.
- ✓ Key supports are at 969 and 1064.
- ✓ Key resistances are at 1258 and 1357.
- ✓ The ideal strategy would be to buy on any dip in the market near supports.



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