



### Price Drivers

- ❖ ABARE projects higher Australian cotton output.
- ❖ Cotton Advisory Board has reduced its cotton output estimates by 5%.
- ❖ Area under cotton cultivation estimated higher.
- ❖ USDA projects record world cotton output in 2011-12.
- ❖ Planters hoarding stocks.
- ❖ Firm demand from millers in China and India.

### Fundamental Analysis

- ✓ Cotton markets ends higher at arrivals declined in the domestic markets.
- ✓ Markets moved higher supported by strong demand from China and India and bad weather conditions have caused damage to Australian cotton crop.
- ✓ Cotton markets ends higher as Cotton Advisory Board has reduced its cotton output estimates by 5%.
- ✓ Area under cotton cultivation was however 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.
- ✓ 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.
- ✓ However ABARE have revealed that amid bad weather condition output of cotton may climb to 1.1 million metric tonnes in the year from July 1 compared with 839,000 tonnes this season.

***Cotton markets may rebound slightly on lower production estimate. 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   | 6500-6875 | +50    | 6531     |
| Amravati (Maharashtra) | Vunni Mech1 | 6100-6400 | +300   | 350      |
| Ahmedabad (Gujarat)    | Shankar     | 6750-6850 | +100   | 20000    |
| Sirsa (Haryana)        | J-34        | No Trade  | -      | No Trade |
| Abohar (Punjab)        | J-34        | 6250-6300 | +175   | 100      |
| Muktsar (Punjab)       | J-34        | 6250-6300 | +130   | 50       |

Scale: 1bale = 170kg;

### International Market Analysis

ICE Cotton Futures Prices as on 28<sup>th</sup> February 2011

| Month  | Open   | High   | Low    | Close  | Change |
|--------|--------|--------|--------|--------|--------|
| May-11 | 189.56 | 191.23 | 187.21 | 191.23 | +7.00  |
| Jul-11 | 178.50 | 182.59 | 178.50 | 182.59 | +7.00  |
| Dec-11 | 123.25 | 129.74 | 122.35 | 129.74 | +7.00  |

\*ICE futures remain closed on Saturday

- Cotton futures rebound on signs that global supplies will continue to trail demand.
- Cotton futures for May delivery ended higher by the exchange limit of 7 cents or 3.8% to end at \$1.9123 on ICE in New York.


**Technical Analysis:**

- Candlestick formation in the chart hints at negative trend.
- Prices are above the 9 and 18-day EMAs supporting the bullish trend in short term.
- MACD and RSI are moving down supports bearish 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  | 1165-1167 | 1182 | 1187 | 1154 | 1114 | 1142 | 1181.5 | 1210 | 1238 |

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