



Price Drivers

- ❖ Firm demand from India and China.
- ❖ China's cotton output declined by 6.3% year-over-year in 2010.
- ❖ Bad weather conditions have caused damage to Australian cotton crop.
- ❖ Indian cotton crop estimates reduced to 31.2 million bales.
- ❖ USDA projects record world cotton output in 2011-12.
- ❖ USDA projects increase of U.S cotton plantings in 2011-12.

Fundamental Analysis

- ✓ Cotton markets remained positive on supply concerns for this year. Firm domestic demand in India and firm Chinese demand also pushed the markets higher.
- ✓ Cotton also moved higher after sources revealed that world supplies cannot accommodate the needs of China.
- ✓ Separately, China National Bureau of Statistics said that China's cotton output declined by 6.3% year-over-year in 2010 to 5.97 million tonnes and that cotton acreage fell to 4.85 million hectares in 2010 from 4.95 million hectares.
- ✓ Markets moved higher supported by reports of 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. Yield is expected to be 475.23 kg per hectare.
- ✓ The production estimates has also been scaled down from 32.9 million bales (1 bale = 170 kg), to 31.2 million 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% in 2011-12.
- ✓ USDA has also projected global cotton consumption at 120 million bales during 2011-12 up 3% in 2010-11.
- ✓ USDA also projected an increase of U.S cotton plantings at 13 million acres compared to 10.97 million acres in 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% during 2010-11.

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	6600-7100	+100	10885
Amravati (Maharashtra)	Vunni Mech1	6100-6300	-100	350
Ahmedabad (Gujarat)	Shankar	6800-6875	+25	20000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	6250-6300	-	100
Muktsar (Punjab)	J-34	6250-6300	-	50

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 02nd March 2011

Month	Open	High	Low	Close	Change
May-11	199.40	200.60	193.30	200.60	+7.00
Jul-11	185.24	192.24	184.90	192.24	+7.00
Dec-11	124.63	130.00	123.51	128.62	+3.74

*ICE futures remain closed on Saturday

- Cotton futures ends higher supported by firm Chinese demand and escalating supply concerns for the commodity.
- Cotton futures for May delivery ended higher by the exchange limit of 7 cents or 3.6% to settle at \$2.006 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 is moving down supports bearish market.
- RSI is moving up supports positive trend.
- **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	1180-1182	1202	1207	1166.5	1125	1149	1188	1212	1234

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