



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.
- ❖ U.S. shipments increased to China, Turkey and Bangladesh.

Fundamental Analysis

- ✓ Cotton markets remained mixed as reports continue to flow in about on lower supplies this year amid increased demand from China.
- ✓ Sentiments remained bullish supported by USDA US sales figures.
- ✓ Cotton also moved higher after sources revealed that world supplies cannot accommodate the needs of China.
- ✓ 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.
- ✓ Sentiments remained bullish 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.
- ✓ USDA said that U.S. sales surged 56% to 403,341 bales as shipments increased to China, Turkey and Bangladesh.
- ✓ However ICAC says that global cotton production will rise 11% to a record 27.6 million metric tonnes as prices boost output. ICAC also added that U.S. output may reach 4.24 million tonnes.

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/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6625-7000	-100	6531
Amravati (Maharashtra)	Vunni Mech1	6150-6250	-50	300
Ahmedabad (Gujarat)	Shankar	6700-7000	+125	20000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	No Trade	-	100
Muktsar (Punjab)	J-34	No Trade	-	50

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 03rd March 2011

Month	Open	High	Low	Close	Change
May-11	204.00	207.60	200.60	205.70	+5.10
Jul-11	198.88	199.24	191.60	195.97	+3.73
Dec-11	129.23	130.50	123.01	126.80	-1.82

*ICE futures remain closed on Saturday

- Cotton futures moved higher on signs global supplies will remain subdued amid increased demand from China.
- May delivery cotton rose 7 cents or 3.4%, to end at \$2.127 a pound on ICE.



Technical Analysis:

- Candlestick formation in the chart hints at negative trend.
- Prices are below the 9-day EMAs supporting the bearish 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	1150-1152	1167	1169	1140.5	1105	1130	1165.8	1191	1216

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