



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	6375-6625	-375	21770
Amravati (Maharashtra)	Vunni Mech1	6100-6400	+150	300
Ahmedabad (Gujarat)	Shankar	6800-7000	-	20000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	No Trade	-	No Trade
Muktsar (Punjab)	J-34	No Trade	-	No Trade

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 04th March 2011

Month	Open	High	Low	Close	Change
May-11	207.00	212.70	206.40	212.70	+7.00
Jul-11	195.10	202.97	195.10	202.97	+7.00
Dec-11	126.10	127.94	122.82	123.31	-3.49

*ICE futures remain closed on Saturday

- Cotton futures remain high as demand for cotton is expected to outpace supplies.
- Cotton for May delivery jumped by the exchange limit of 7 cents or 3.4% to settle at \$2.127 a pound on ICE Futures.



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 flat supports sideways market.
- RSI is flat in the neutral region supports sideways market.
- **Kapas futures are likely to trade range bound with weak bias in next trading session.**



Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL	1188-1190	1173	1168	1201	1136	1155	1172.9	1218	1237

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