



Price Drivers

- ❖ Weak spot demand.
- ❖ China aims to boost output by 13.9%.
- ❖ Global cotton production will rise 11% this year.
- ❖ Demand expected to remain firm from China.
- ❖ Indian cotton crop estimates reduced to 31.2 million bales.

Fundamental Analysis

- ✓ Cotton markets fell on Tuesday as spot demand declines at higher levels of the market.
- ✓ Markets fell as China aims to boost output by 13.9% to 6.8 million tons this year.
- ✓ 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.
- ✓ Sentiments remained mixed as reports continue to flow in about on lower supplies this year amid increased demand from China.
- ✓ Cotton also moved higher after sources revealed that world supplies cannot accommodate the needs of China.
- ✓ 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.

Cotton markets may fall slightly on higher production estimates from China. In the long term markets cotton market sentiments will depend on global demand and supply concerns this year.

Prices (Rs/qrtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6050-6600	-25	8164
Amravati (Maharashtra)	Vunni Mech1	5800-6150	-300	500
Ahmedabad (Gujarat)	Shankar	6500-6625	-125	25000
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 07th March 2011

Month	Open	High	Low	Close	Change
May-11	213.75	219.70	213.13	214.14	+1.44
Jul-11	205.90	209.97	203.00	203.97	+1.00
Dec-11	123.00	126.85	122.19	126.53	+3.22

*ICE futures remain closed on Saturday

- Cotton futures end higher on signs that demand is exceeding supplies before new harvests later this year.
- Cotton futures for May delivery rose by 1.44 cents, or 0.7%, to \$2.1414 a pound on ICE Futures U.S.



Technical Analysis:

- Candlestick formation in the chart hints at negative trend.
- Prices are below the 9 and 18-day EMAs supporting the bearish trend in short term.
- MACD is moving down supports bearish market.
- RSI is moving down in neutral region supports negative sentiments in the 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	1115-1117	1100	1097	1127	1053	1082	1110.6	1139	1168

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