



Price Drivers

- ❖ Higher production estimates for U.S and China.
- ❖ USDA estimates higher supply for 2011-12.
- ❖ Harvest completed in most countries.
- ❖ USDA to increase the estimate for world cotton consumption in 2011-12.
- ❖ Global cotton production will rise 11%.
- ❖ Cotton Advisory Board has reduced its cotton output estimates by 5%.

Fundamental Analysis

- ✓ Cotton markets remained steady to firm amid reports of higher production estimates for U.S and China.
- ✓ USDA will hand out its monthly supply/demand report on Thursday and sources say that this year supply could increase due to higher planting from farmers this year.
- ✓ Sources added that traders will be looking out for changes in world 2010/11 cotton consumption since most major cotton producing countries are done with their harvests.
- ✓ Sources also added that USDA to increase the estimate for world cotton consumption in 2010/11.
- ✓ Analysts will also be looking out weekly USDA export sales data to give further direction on cotton demand.
- ✓ Millers also remained absent from the markets however if the prices decline further millers could come in the markets at lows.
- ✓ 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.
- ✓ 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.

In the short term cotton prices will depend on demand from millers. In the medium to long term price trend will depend on cotton production estimates this year and demand from the overseas and domestic buyers.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6100-6500	+100	5442
Amravati (Maharashtra)	Vunni Mech1	6100-6200	-	400
Ahmedabad (Gujarat)	Shankar	6500-6750	+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 09th March 2011

Month	Open	High	Low	Close	Change
May-11	205.45	213.40	202.48	204.41	-2.73
Jul-11	195.75	202.00	192.04	194.06	-2.91
Dec-11	120.50	126.52	120.20	126.60	+5.85

*ICE futures remain closed on Saturday

- Cotton futures decline on speculation that rising production will help ease a supply shortage.
- Cotton for May delivery fell by 2.73 cents to settle at \$2.0441 per pound on ICE Futures U.S. in New York.



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 flat supports sideways market.
- RSI is moving down in neutral region supports bullish 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	1125-1127	1110	1105	1138	1068	1087	1119	1140	1158

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