

FUNDAMENTALS AND NEWS

- ✓ Cotton markets rebounded from lows this fortnight as demand from millers remained firm at lower side of the markets.
- ✓ Cotton markets ends higher on Monday as Cotton Advisory Board has reduced its cotton output estimates by 5%.
- ✓ Area under cotton cultivation was estimated higher at 111.61 lakh hectares against 110.55 lakh hectares earlier estimate.
- ✓ The production estimates has also been scaled down from 32.9 million bales (1 bale = 170 kg), to 31.2 million bales. The production estimates was scaled down due to lower arrivals in the domestic markets in India. Yield is expected to be 475.23 kg per hectare.
- ✓ The main shortfall has been attributed to the Central Zone, wherein, output estimates have fallen to 20.1 million bales as against 21.3 million bales.
- ✓ Production estimate in Maharashtra was lowered to 82 lakh bales against the earlier estimate of 92 lakh bales, Gujarat it was 102 lakh bales against 103 lakh bales, while in Madhya Pradesh it was 17 lakh bales against 18 lakh 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% from 2010-11. USDA has also projected global cotton consumption at 120 million bales during 2011-12 up 3% from 2010-11.
- ✓ USDA also projected an increase of U.S cotton plantings at 13 million acres compared to 10.97 million acres from 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 from 2010-11.
- ✓ However ABARE have revealed that amid bad weather condition output of cotton may climb to 1.1 million metric tonnes in the year from July 1 compared with 839,000 tonnes this season.
- ✓ 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.
- ✓ However USDA reported the monthly supply/demand report cut world 2010/11 cotton ending stocks to 42.33 million (480-lb) bales from 42.81 million bales and raised world 2010/11 cotton consumption to 116.61 million bales against 116.55 million bales. USDA's weekly export sales data showed U.S. cotton sales at 486,500 running bales (500-lbs each), much higher than trade expectations for 200,000 to 250,000 running bales.
- ✓ USDA also reported that China's ending stocks have continued to tighten, indicating strong import demand going forward. USDA released its monthly supply/demand report and states that 2010/11 U.S. cotton crop; cotton exports cotton ending stocks remained unchanged at 18.32 million (480-lb) bales and 15.75 million bales and 1.90 million bales.
- ✓ USDA added that 2010/11 world cotton production will be lower at 114.95 million bales from 115.25 million bales and 2010/11 world cotton consumption will be higher at 116.61 million bales from 116.55 million bales.
- ✓ USDA added that 2010/11 China production will be lower at 29.50 million bales against 30 million bales however 2010/11 China cotton imports will be higher at 15.50 million bales from 15 million bales. USDA added that 2010/11 Indian cotton production will be slightly lower 25 million bales, from 26 million bales.

OUTLOOK: Short Term (One fortnight)

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 at Key Markets (Rs/Candy) | | | | |
|----------------------------------|-----------|-------------|-----------|-----------|
| State | Centre | Variety | Prices | |
| | | | 28-02-11 | 12-03-11 |
| Haryana | Sirsa | J-34 | No Trade | No Trade |
| Punjab | Muktsar | J-34 | 6100-6170 | No Trade |
| | Abohar | J-34 | 6100-6125 | No Trade |
| Gujarat | Kadi | BT | 6300-6825 | 6250-6600 |
| | Ahmedabad | Shankar | 6625-6750 | 6625-6750 |
| Maharashtra | Amravati | Vunni Mech1 | 5900-6100 | 5800-6100 |

| Cumulative Arrival (in bales) in markets from 28-02-11 to 12-03-11 | | |
|--|-----------|----------|
| State | Center | Arrivals |
| Haryana | Sirsa | - |
| Punjab | Muktsar | 150 |
| | Abohar | 350 |
| Gujarat | Ahmedabad | 240,000 |
| | Kadi | 130,081 |
| Maharashtra | Amravati | 4,050 |

Technical Analysis:

- ✓ Prices have closed above the 9 and 18-day EMAs supporting the firm trend in short term.
- ✓ MACD is moving down supports the bearish sentiments.
- ✓ RSI is moving up supports the positive sentiments.
- ✓ Kapas futures are likely to remain range bound with a weak bias for the coming fortnight.
- ✓ Key supports are at 1023 and 1092.
- ✓ Key resistances are at 1225 and 1289.
- ✓ So sell on any rebound in the market near resistances.



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