



## Price Drivers

- ❖ Short Supply may be anticipated in the long term.
- ❖ DGFT say that the cap on cotton yarn exports will remain fixed at 720 million kg.
- ❖ Higher production estimates for U.S and China.
- ❖ Harvest completed in most countries.
- ❖ Global cotton production will rise 11%.
- ❖ USDA to increase the estimate for world cotton consumption in 2011-12.

## Fundamental Analysis

- ✓ Cotton markets remained steady to firm on Tuesday supported by demand from millers and stockists at the lows of the markets.
  - ✓ However long term sentiments remained bearish on reports of higher production estimates in U.S and China.
  - ✓ DGFT say that the cap on cotton yarn exports will remain fixed at 720 million kg.
  - ✓ 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.
- 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	6250-6625	-	7595
Amravati (Maharashtra)	Vunni Mech1	6200-6450	+50	300
Ahmedabad (Gujarat)	Shankar	6625-6875	-	25000
Sirsa (Haryana)	J-34	No Trade	-	No Trade
Abohar (Punjab)	J-34	6280-6350	-	200
Muktsar (Punjab)	J-34	6280-6350	-	100

Scale: 1bale = 170kg

## International Market Analysis

ICE Cotton Futures Prices as on 14<sup>th</sup> March 2011

Month	Open	High	Low	Close	Change
May-11	204.94	206.83	197.94	197.94	-7.00
Jul-11	193.25	195.00	186.25	186.25	-7.00
Dec-11	127.00	128.00	121.32	122.77	-5.55

\*ICE futures remain closed on Saturday

- Cotton futures decline as demand remained weak at higher levels.
- Cotton for May delivery fell by the exchange limit of 7 cents, or 3.4 percent, to \$1.9794 on ICE.



### Technical Analysis:

- Candlestick formation in the chart reveals indecision in the market.
- Prices are above the 9 and 18-day EMAs supporting the bearish trend in short term.
- MACD is flat supports sideways market.
- RSI is moving down supports the negative sentiments.
- **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	1175-1177	1160	1157	1187	1131	1146	1161.5	1193	1215

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