



Price Drivers

- ❖ India's Cotton Availability to remain lower in 2010-11, despite surge in production.
- ❖ Mill consumption is likely to rise by 12.08% in 2010-11.
- ❖ Ending Stocks are projected lower despite in 2010-11 despite anticipated cuts in exports.
- ❖ 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 depicted weak sentiment on Wednesday. Weakness in Global Markets and higher domestic production affect the sentiment.
- ✓ Long term sentiments remained bearish on reports of higher production estimates in U.S and China.
- ✓ India has allowed exports of 5,000 bales of Assam Comillas cotton during the current marketing season, beyond the 5.5 million bales allowed earlier as put by a wing of the trade ministry.
- ✓ The government has so far allowed exports of 5.5 million bales in the marketing year through September. The agriculture and trade ministries want to raise the quota by 1.5 million bales of 170 kilograms each for 2010-11, saying the move will help farmers earn better returns.
- ✓ Chinese farmer's plans to plant more cotton this year in response to Beijing's supportive policies and high prices as put by the Ministry of Agriculture. The China Cotton Association has forecast that cotton area this year will reach 5.64 million hectares, up from 5.1 million last year.
- ✓ DGFT say that the cap on cotton yarn exports will remain fixed at 720 million kg.
- ✓ USDA 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/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6250-6600	-25	-
Amravati (Maharashtra)	Vunni Mech1	6000-6200	-250	200
Ahmedabad (Gujarat)	Shankar	6625-6875	-	25000
Sirsa (Haryana)	J-34	-	-	-
Abohar (Punjab)	J-34	6250-6300	-50	150
Muktsar (Punjab)	J-34	6300-6350	-	50-100

International Market Analysis

ICE Cotton Futures Prices as on 16th March 2011

Month	Open	High	Low	Close	Change
May-11	196.10	199.57	190.94	190.94	-7
Jul-11	186.00	188.19	179.25	179.25	-7
Dec-11	122.20	123.70	117.03	117.09	-5.68

*ICE futures remain closed on Saturday

- Cotton futures decline as demand remained weak at higher levels.



Technical Analysis:

- Kapas price trend remain ranged, upside likely, resistances may work.
- 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.



Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL BELOW	1190	1170	1150	1220	1131	1146	1172.70	1193	1215

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