



Price Drivers

- ❖ Local demand for cotton remains normal.
- ❖ Lesser stock availability with the millers.
- ❖ 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.
- ❖ Global cotton production will rise 11%.

Fundamental Analysis

- ✓ **Cotton price continue to drift lower in the spot market. Persistent weakness in Global Markets continues to dampen global sentiment. Absence of export demand and higher acreage anticipations for the coming season direct the fall, but presence of local demand is likely to limit the downside.**
- ✓ Cotton Ending stocks are projected to decline at 27.50 lakh bales in 2010-11 as compared to 40.50 lakh bales in 2009-10 as lower beginning stocks, rise in mill consumption are likely to cause the same despite projected rise of 5.76% in 2010-11.
- ✓ Going forward: Cotton output in India may rise to a record for a second straight year as a rally in prices spurs farmers to boost planting. Output could reach 40 million bales in the 2011-2012 seasons.
- ✓ 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.
- ✓ USDA has 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.

In the short term, cotton prices may remain range bound. Local demand at lower price levels and unavailability of stocks with the millers is likely to lay support beneath. Higher Production anticipations will also limit the upside in the medium term but likely lesser ending stocks at year end will again re do strength.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6125-6500	-100	8823
Amravati (Maharashtra)	Vunni Mech1	6000-6200	-	200
Ahmedabad (Gujarat)	Shankar	6625-6875	-	23000
Sirsa (Haryana)	J-34	-	-	-
Abohar (Punjab)	J-34	6250-6300	-	200
Muktsar (Punjab)	J-34	6250-6300	-50	200

International Market Analysis

ICE Cotton Futures Prices as on 16th March 2011

Month	Open	High	Low	Close	Change
May-11	190.00	197.94	185.01	185.12	-5.82
Jul-11	178.00	186.25	175.15	175.46	-3.79
Dec-11	117.03	122.40	116.31	116.69	-0.40

*ICE futures remain closed on Saturday



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	1185	1170	1155	1200	1131	1145	1170	1185	1195

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