



### 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.
- ❖ 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 prices moved higher in the spot market. The global markets moved higher to influence the Indian markets. 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.**
- ✓ The Cotton Yarn Advisory Board (CYAB) has projected a 17% jump in the cotton yarn exports surplus to 845 million kg for the next fiscal.
- ✓ Earlier: the government capped the yarn shipments to 720 million kg for 2010-11 to help ease rising domestic cotton prices.
- ✓ Going forward: Cotton Yarn Advisory Board (CYAB) estimated a higher yarn production of 3,931 million kg in 2011-12 against 3,510 million kg for this fiscal.
- ✓ Going forward: Cotton Advisory Board estimates the cotton production was estimated to be 312 lakh bales for the current cotton season (October to September).
- ✓ The closing stock of the yarn is estimated to be lower at 85 million kg for the next fiscal than 178 million kg in 2010-11.
- ✓ 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 add to the strength.***

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6250-6600	+100	8164
Amravati (Maharashtra)	Vunni Mech1	6100-6300	+100	300
Ahmedabad (Gujarat)	Shankar	6625-6875	-	23000
Sirsa (Haryana)	J-34	-	-	-
Abohar (Punjab)	J-34	6250-6300	-	100
Muktsar (Punjab)	J-34	6250-6300	-	100

### International Market Analysis

ICE Cotton Futures Prices as on 16<sup>th</sup> March 2011

Month	Open	High	Low	Close	Change
May-11	186.95	192.12	185.00	192.12	+7.00
Jul-11	176.55	182.46	175.75	182.46	+7.00
Dec-11	117.85	122.90	117.36	120.96	+4.27

\*ICE futures remains closed on Saturday



### Technical Analysis:

- Kapas price trend remain range bound with selling possible at higher levels.
- Prices are above the 9 and 18-day EMAs supporting the bullish trend in short term.
- MACD is flat supports sideways market.
- RSI is moving up supports the positive sentiments.
- **Kapas futures are likely to trade weak in the next trading session.**



### Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL	1195-1200	1180	1175	1212.5	1142.6	1158.8	1175	1235.2	1251.4

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