



## Price Drivers

- ❖ Local demand for cotton remains normal.
- ❖ Firm demand from China and India.
- ❖ CYAB has projected a 17% jump in the cotton yarn exports.
- ❖ Traders estimate a rise in production in 2011-12.
- ❖ World cotton production may be lower according to USDA.

## Fundamental Analysis

- ✓ **Cotton prices remained steady to firm in the spot market. The global markets moved higher and influenced the firm sentiments in the Indian markets.**
- ✓ **Firm demand:** Sources say that markets move higher supported by economic growth in China and India is serving as a driver for cotton demand.
- ✓ 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).
- ✓ **Trader's estimates:** 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.
- ✓ 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 to firm. Local demand at lower price levels and unavailability of stocks with the millers is likely to lay support at lower prices. However, higher Production anticipations may limit the upside in the medium to long term.*

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6125-6700	+100	13606
Amravati (Maharashtra)	Vunni Mech1	6100-6300	-	300
Ahmedabad (Gujarat)	Shankar	Closed	-	Closed
Sirsa (Haryana)	J-34	-	-	-
Abohar (Punjab)	J-34	Closed	-	Closed
Muktsar (Punjab)	J-34	Closed	-	Closed

## International Market Analysis

ICE Cotton Futures Prices as on 18<sup>th</sup> March 2011

Month	Open	High	Low	Close	Change
May-11	196.13	199.12	195.31	199.12	+7.00
Jul-11	185.93	189.46	185.93	189.46	+7.00
Dec-11	122.00	124.36	121.10	123.84	+2.88

\*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	1194-1196	1182	1179	1204.5	1158.8	1173.7	1188.6	1204.8	1219.7

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