



Price Drivers

- ❖ Local demand for cotton remains normal.
- ❖ Firm demand from China and India.
- ❖ ICA estimates higher production and lower consumption in the next season.
- ❖ Traders estimate a rise in production in 2011-12.
- ❖ World cotton production may be lower according to USDA.

Fundamental Analysis

- ✓ **Cotton prices remained mixed in the spot market with Kadi and Ahmedabad remaining steady, Amravati ending higher and Muktsar ending lower and Abohar remaining steady on Wednesday.**
- ✓ **Firm demand:** Sources say that markets may continue to move higher in the longer run supported by economic growth in China and India is serving as a driver for cotton demand.
- ✓ **Supply of cotton:** International Cotton Association (ICA) said on Tuesday that there will be no shortage of cotton in the next season as production is expected to be higher than consumption in 2011-12.
- ✓ **ICA estimates:** Production was expected to be 27.65 million tonnes in 2011-12 (August-July), nearly 3 million tonnes more than the output in 2010-11. Consumption was expected to be 26.4 million tonnes in the next season.
- ✓ **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.
- ✓ 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 estimates:** 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/qtl) and Arrivals (Bales) at Key Markets

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6250-6500	-	16327
Amravati (Maharashtra)	Vunni Mech1	6100-6350	+50	400
Ahmedabad (Gujarat)	Shankar	6750-7000	-	22000
Abohar (Punjab)	J-34	6350		100
Muktsar (Punjab)	J-34	6380	-5	0
Sirsa (Haryana)	J-34	-	-	-

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 22nd March 2011

Month	Open	High	Low	Close	Change
May-11	200.50	205.96	197.43	205.96	+7.00
Jul-11	190.85	196.90	188.50	196.90	+7.00
Dec-11	124.60	128.70	122.57	128.27	+3.90

*ICE futures remains closed on Saturday


Technical Analysis:

- Candlestick pattern indicate buyers' support at lower levels.
- Prices are below the 9-day EMAs supporting the bearish trend in short term.
- MACD is flat supports sideways market.
- RSI is moving up and supports the bullish sentiments.

Kapas futures are likely to trade firm in the next trading session.

Participants may buy from lows.


Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	BUY	1175-1177	1192	1195	1165	1134	1159	1183	1198	1214

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