



## Price Drivers

- ❖ Firm Chinese demand to continue.
- ❖ Arrivals may start to decline.
- ❖ ICA estimates higher production and lower consumption in the next season.
- ❖ Higher acreage expected from Haryana and Punjab.
- ❖ Lower crop estimates from Australia due to bad weather conditions.

## Fundamental Analysis

- ✓ **Cotton prices remained steady to firm on Friday as demand continues to be firm from Millers and traders and as arrivals start to decline in the markets.**
- ✓ **Firm demand:** Sources say that markets may continue to move higher in the longer run due to strong demand from domestic mills.
- ✓ **Arrivals to decline:** Sources also added that a major chunk of 31.5 million bales in has already arrived in the market and daily arrivals are likely to decrease gradually in the coming weeks.
- ✓ **Firm Chinese Demand:** Sources also added cotton markets may continue to move higher spurred by unabated demand from China as the country accounts for a little less than half the world's consumption of cotton.
- ✓ Sources also added that lower Chinese production of the fibre and a ban on exports from India will continue to move the markets higher.
- ✓ **Higher Acreage:** Agriculture department officials said that there is a possibility of increase of cotton acreage by 10% to 15% in Punjab and Haryana.
- ✓ **Australian Crop Concerns:** Cotton markets were up on concern that wet weather in Australia would limit yields and delay the harvest of Australia's cotton crop.
- ✓ **Cotton Advisory Board:** CAB estimates the cotton production was estimated to be 312 lakh bales; acreage was at 111.61 lakh hectare with an average yield 475.23 kg per hectare for the current cotton season (October to September).
- ✓ Haryana is expected to touch 6 lakh hectares from 4.92 lakh hectares in the previous year; production is expected to be 20 lakh bales compared to 17.44 lakh bales in the year 2010-11.
- ✓ In Maharashtra, the area is expected to increase by 10% this year. However acreage under cotton in Gujarat is not expected to see a major increase as spending costs for harvests have increased.

***In the short term, cotton prices may remain range bound to firm on firm local demand and unavailability of stocks with the millers.***

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6500-7000	-	13606
Amravati (Maharashtra)	Vunni Mech1	6100-6400	+35	400
Ahmedabad (Gujarat)	Shankar	6750-7000	-	20000
Abohar (Punjab)	J-34	6450-6450	+50	60
Muktsar (Punjab)	J-34	6485-6485	+35	Nil
Sirsa (Haryana)	J-34	-	-	-

Scale: 1bale = 170kg

### International Market Analysis

ICE Cotton Futures Prices as on 24<sup>th</sup> March 2011

Month	Open	High	Low	Close	Change
May-11	202.29	208.87	196.87	208.82	+6.95
Jul-11	193.50	200.93	189.90	200.49	+6.56
Dec-11	126.67	127.98	125.50	127.81	+1.14

\*ICE futures remains closed on Saturday


**Technical Analysis:**

- Candlestick pattern shows buyer's active participation in the markets.
- 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 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	1218-1220	1235	1240	1207	1175	1202	1229	1243	1258

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