



## 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 Saturday 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	-	29934
Amravati (Maharashtra)	Vunni Mech1	6150-6500	+100	400
Ahmedabad (Gujarat)	Shankar	6750-7000	-	20000
Abohar (Punjab)	J-34	6525	+75	100
Muktsar (Punjab)	J-34	6575	+90	Nil
Sirsa (Haryana)	J-34	-	-	-

Scale: 1bale = 170kg

### International Market Analysis

ICE Cotton Futures Prices as on 25<sup>th</sup> March 2011

Month	Open	High	Low	Close	Change
May-11	209.68	211.16	202.63	204.49	-4.33
Jul-11	201.19	203.25	195.23	197.11	-3.38
Dec-11	126.50	128.10	125.25	127.92	+0.11

\*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 in the overbought region and is warranting caution to the bulls.

**Kapas futures may witness some profit taking in the next trading session.**

**Participants may book profits.**


**Trade Recommendation**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	BOOK PROFITS	-	-	-	-	1203	1227	1241.8	1256	1269

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