



Price Drivers

- ❖ Firm Chinese demand to continue.
- ❖ Higher cotton production in India.
- ❖ Higher acreage expected from Haryana and Punjab.
- ❖ Higher crop estimates from Australia amid bad weather conditions.
- ❖ Higher global plantings are expected.

Fundamental Analysis

- ✓ **Cotton prices remained mixed on Monday with Kadi, Abohar and Muktsar remained firm. Amravati remained weak and Ahmedabad remained steady 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.
- ✓ **Press Report:** A press report on Monday said that cotton production is expected to be 6.8 million tonnes (40 million bales of 170 kg each) in 2011-12 as farmers may plant more due to higher returns.
- ✓ **Cotlook estimates:** As per Cotlook cotton production in India for the 2011-12 season is estimated to be 5.9 million tonnes (MT).
- ✓ **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.
- ✓ **Acreage increase:** However sources added that area under cotton rose by 8.25 per cent to 11 million hectares in 2010-11 as farmers may plant more due to higher returns.
- ✓ **Global plantings:** ICAC added that global plantings were estimated to rise 7% to 36 million hectares, the biggest area in 17 years, taking output to a record 27.6 million metric tons.
- ✓ **Punjab Department of Agriculture estimates:** the Department is estimating that cotton acreage will surge by 10-15 percent in the next cotton season in Punjab.
- ✓ **Australian crop:** Cotton growers in Queensland's southern inland said that predicted harvest of 600,000 bales in the area may help the cotton farmers to recover some amount of amount due to the higher prices.

In the short term, cotton prices may remain range bound to weak on higher acreage details coupled with higher production estimates from India and the world.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	6625-7250	+250	7619
Amravati (Maharashtra)	Vunni Mech1	6100-6450	-50	500
Ahmedabad (Gujarat)	Shankar	6750-7000	-	22000
Abohar (Punjab)	J-34	6590	+65	70
Muktsar (Punjab)	J-34	6650	+75	Nil
Sirsa (Haryana)	J-34	-	-	-

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 25th 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 sellers 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 down supports bearish market.

Kapas futures may trade range bound to weak in the next trading session.

Participants may sell from highs.


Trade Recommendation

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-Apr	SELL	1225-1230	1210	1205	1242.5	1171	1192	1215.3	1257	1269

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