

FUNDAMENTALS AND NEWS

- ✓ Cotton markets remained mixed this fortnight as arrivals declined slightly at lows pushing the markets higher and arrivals weakened at high as demand from milers remained low at highs of the market.
- ✓ However USDA reported the monthly supply/demand report cut world 2010/11 cotton ending stocks to 42.33 million (480-lb) bales from 42.81 million bales and raised world 2010/11 cotton consumption to 116.61 million bales against 116.55 million bales.
- ✓ USDA's weekly export sales data showed U.S. cotton sales at 486,500 running bales (500-lbs each), much higher than trade expectations for 200,000 to 250,000 running bales.
- ✓ USDA also reported that China's ending stocks have continued to tighten, indicating strong import demand going forward.
- ✓ 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.
- ✓ USDA added that 2010/11 China production will be lower at 29.50 million bales against 30 million bales however 2010/11 China cotton imports will be higher at 15.50 million bales from 15 million bales.
- ✓ USDA added that 2010/11 Indian cotton production will be slightly lower 25 million bales, from 26 million bales.
- ✓ Sources say that markets may continue to move higher in the longer run due to strong demand from domestic mills.
- ✓ 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.
- ✓ As per Cotlook cotton production in India for the 2011-12 season is estimated to be 5.9 million tonnes (MT).
- ✓ 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.
- ✓ 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.
- ✓ 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.
- ✓ The Department is estimating that cotton acreage will surge by 10-15 percent in the next cotton season in Punjab.
- ✓ 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.

OUTLOOK: Short Term (One fortnight)

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 at Key Markets (Rs/Candy)				
State	Centre	Variety	Prices	
			12-03-11	26-03-11
Haryana	Sirsa	J-34	No Trade	No Trade
Punjab	Muktsar	J-34	No Trade	6575
	Abohar	J-34	No Trade	6525
Gujarat	Kadi	BT	6250-6600	6500-7000
	Ahmedabad	Shankar	6625-6750	6750-7000
Maharashtra	Amravati	Vunni Mech1	5800-6100	6150-6500

Cumulative Arrival (in bales) in markets from 12-03-11 to 26-03-11		
State	Center	Arrivals
Haryana	Sirsa	-
Punjab	Muktsar	590
	Abohar	1,150
Gujarat	Ahmedabad	245,000
	Kadi	170,868
Maharashtra	Amravati	4,100

Technical Analysis:

- ✓ Prices have closed above the 9 and 18-day EMAs supporting the firm trend in short term.
- ✓ MACD is moving up supports the bullish sentiments.
- ✓ RSI is moving up in the overbought and is warranting caution to the bulls.
- ✓ Kapas futures are likely to remain range bound in the coming fortnight.
- ✓ Key supports are at 1105 and 1171.
- ✓ Key resistances are at 1276 and 1315.
- ✓ So sell on any rebound in the market near resistances.



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