



## Price Drivers

- ❖ Firm Chinese demand to continue.
- ❖ Higher cotton production in India.
- ❖ Higher acreage expected from Haryana and Punjab.
- ❖ Higher plantings in thought-out the globe due to higher prices.
- ❖ Good yield expected in Australia amid losses.

## Fundamental Analysis

- ✓ **Cotton prices remained steady to firm on Wednesday as demand continues to be firm from millers and traders and as arrivals start to decline in the markets.**
- ✓ **Global Markets remained weak as high cotton prices are expected to encourage farmers worldwide to plant more of the fiber next season.**
- ✓ **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.
- ✓ **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   | 6325-7125 | -      | 35376    |
| Amravati (Maharashtra) | Vunni Mech1 | 6200-6500 | -      | 500      |
| Ahmedabad (Gujarat)    | Shankar     | 6750-7000 | -      | 12000    |
| Abohar (Punjab)        | J-34        | 6700      | -      | 40       |
| Muktsar (Punjab)       | J-34        | 6740      | -      | Nil      |
| Sirsa (Haryana)        | J-34        | -         | -      | -        |

Scale: 1bale = 170kg

## International Market Analysis

ICE Cotton Futures Prices as on 29<sup>th</sup> March 2011

| Month  | Open   | High   | Low    | Close  | Change |
|--------|--------|--------|--------|--------|--------|
| May-11 | 196.53 | 201.00 | 194.10 | 194.88 | -2.61  |
| Jul-11 | 188.62 | 193.50 | 186.70 | 187.79 | -2.32  |
| Dec-11 | 124.00 | 125.45 | 123.13 | 124.97 | +0.52  |

\*ICE futures remains closed on Saturday


**Technical Analysis:**

- Candlestick pattern shows sellers participation in the markets.
- Prices are above the 9 and 18-day EMAs supporting the bullish trend in short term.
- MACD is moving up supports bullish sentiments in the market.
- RSI is moving down supports bearish sentiments in the 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 | 1228-1230 | 1213 | 1208 | 1241 | 1193 | 1205 | 1219 | 1243 | 1250 |

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