



Price Drivers

- ❖ Chinese demand is expected to be firm this year.
- ❖ Lower demand from Tamil Nadu due to state elections.
- ❖ Cotton production has increased from 24.23 million bales in 2009-10 to 33.93 million bales in 2010-11.
- ❖ USDA estimates higher Indian production.
- ❖ Lower production estimates throughout the globe.
- ❖ Higher production from Brazil and Turkey.

Fundamental Analysis

- ✓ **Cotton prices remained mixed on Monday with Kadi, Ahmedabad and Abohar ending in the red, Muktsar ending higher and Amravati ending steady. Demand remained weak dragging the markets lower.**
- ✓ **Global markets moved lower on higher plantings expected from U.S and other countries.**
- ✓ **Weak Demand from Tamil Nadu:** Prices moved lower due to lower demand from Tamil Nadu due to elections.
- ✓ **World Estimates:** However USDA cut the estimate of the U.S. cotton crop by 215,000 (480-lb) bales to 18.1 million bales, while raising domestic consumption by 100,000 bales.
- ✓ **Indian Estimates:** USDA said that India's 2011-12 cotton production is forecast to increase to a record 27.3 million U.S. bales on expected record cotton planting of 12.5 million hectares.
- ✓ Consumption is forecast to increase to 22.6 million bales on expected strong domestic and export demand for cotton textiles.
- ✓ **Higher Chinese Imports:** USDA added that Chinese imports are forecast to increase in 2011-12. USDA added that 2011/12 cotton imports are forecast at 3.6 million tonnes, up 6% from the estimated 3.4 million tonnes in 2010/11. USDA also added that consumption may increase to 11 million tonnes due to higher domestic and overseas textile demands which are outpacing domestic supplies.
- ✓ **Firm Production from Brazil:** Cotton production in Brazil is expected to increase an estimated 9 million bales and planted area to 1.35 million hectares according to USDA.
- ✓ **Firm Production from Turkey:** USDA estimates that Turkish cotton area and production are expected to increase about 30% and reach 410,000 hectares and 600,000 tonnes (2.7 million bales) in 2011-12.

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 | 5875-6375 | -175 | 13606 |
| Amravati (Maharashtra) | Vunni Mech1 | 6100-6300 | - | 200 |
| Ahmedabad (Gujarat) | Shankar | 6000-6500 | -125 | 15000 |
| Abohar (Punjab) | J-34 | 6500 | -20 | Nil |
| Muktsar (Punjab) | J-34 | 6550 | +10 | Nil |

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 08th April 2011

| Month | Open | High | Low | Close | Change | P.Close |
|--------|--------|--------|--------|--------|--------|---------|
| May-11 | 208.22 | 212.40 | 201.25 | 202.97 | -5.25 | 208.22 |
| Jul-11 | 194.50 | 198.07 | 188.50 | 189.90 | -4.67 | 194.57 |
| Dec-11 | 137.54 | 138.85 | 135.69 | 138.08 | +0.14 | 137.94 |

*ICE futures remains closed on Saturday


Technical Analysis:

- Candlestick pattern shows sellers active participation.
- Prices are below the 9 and 18-day EMA supporting the bearish trend in short term.
- MACD is moving down supports bearish sentiments in the market.
- RSI is moving down in the oversold region and is warranting caution to the bears.

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

Participants may stay away.


Trade Recommendation

| Contract | Call | Entry | T1 | T2 | SL | S2 | S1 | PCP | R1 | R2 |
|-----------|-----------|-------|----|----|----|------|------|--------|------|------|
| NCDEX-Apr | STAY AWAY | - | - | - | - | 1098 | 1116 | 1133.4 | 1168 | 1203 |

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