

FUNDAMENTALS AND NEWS

- Cotton prices remained weak this fortnight on higher plantings expected from U.S and other countries.
- Prices moved lower due to lower demand from Tamil Nadu due to elections in the state.
- 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.
- 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.
- 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.
- Cotton production in Brazil is expected to increase an estimated 9 million bales and planted area to 1.35 million hectares according to USDA.
- 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.
- Prices moved lower due to lackluster demand and arrival of low quality cotton at the end of the season.
- Weak demand in the spot market has also pulled down the prices.
- Sources say that stockists have started offloading cotton in the market expecting further fall.
- Sources added that government had capped the export limit of cotton at 5.5 million bales and if further exports are not allowed then markets may fall another Rs 3,000 to 4,000 a candy.
- Sources also that miller's demand was weak and they will only come in the market after the prices have fallen and stabilized at lows.
- Cotton plantings in some of China have fallen amid higher prices for farmers and sources say that this may reignite a rally that drove prices to a record last month.
- Sources added that farmers are likely to increase the area under cotton cultivation by about 20% from the 110 lakh hectares of last season in the cotton belt of Vidarbha.
- Sources added favourable weather and better prices are likely to result in the increase in the area under cotton in Punjab and Haryana.
- According to officials, cotton area in these two north Indian states is likely to increase by 15-20%.
- According to the officials in Haryana, this year the target for cotton area in Haryana is 550,000 hectares as against 492,000 hectares last year.
- Punjab is targeting 520,000 hectares area this year higher compared to of 483,000 hectares last year.
- USDA said that Planting was most advanced in California at 35 %, Arizona at 25% and Louisiana at 28 %.
- Chinese farmers may plant 5.5 million hectares (13.59 million acres) and output may reach about 6.5 million metric tons (29.86 million bales).
- Cotton output last year was down 6.3 percent to 5.97 million tons (27.42 million bales).

OUTLOOK: Short Term (One fortnight)

In the short term, cotton prices may remain range bound to weak on weak demand and higher planting reports in Punjab and Haryana.

Prices at Key Markets (Rs/Candy)				
State	Centre	Variety	Prices	
			09-04-11	21-04-11
Punjab	Muktsar	J-34	6540	5700
	Abohar	J-34	6520	5800
Gujarat	Kadi	BT	6125-6550	4750-6750
	Ahmedabad	Shankar	6125-6625	4500-6000
Maharashtra	Amravati	Vunni Mech1	6100-6300	4400-4900

Cumulative Arrival (in bales) in markets from 09-04-11 to 21-04-11		
State	Center	Arrivals
Punjab	Muktsar	Nil
	Abohar	Nil
Gujarat	Ahmedabad	174,000
	Kadi	172.5
Maharashtra	Amravati	2,350

Technical Analysis:

- ✓ Prices have closed below the 9 and 18-day EMAs supporting the weak trend in short term.
- ✓ MACD is moving down supports the bearish sentiments.
- ✓ RSI is moving up in the overbought region and is warranting caution to the bears.
- ✓ Key supports are at 807 and 900.
- ✓ Key resistances are at 1144 and 1296.
- ✓ **April contract will expire on 29th April 2011.**
- ✓ **So participants should not make any new call unless wanting delivery.**



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