



Price Drivers

- ❖ Weak Demand from millers.
- ❖ Increase in area in India.
- ❖ Higher global production estimates.
- ❖ Lower production estimates in India.
- ❖ India to decide cotton exports limit in October.

Fundamental Analysis

- ✓ **Cotton prices remained mixed on Friday with Kadi, Ahmedabad, Abohar and Muktsar ending steady and Amravati ending lower.**
- ✓ **U.S futures end higher as bad weather conditions in Texas, U.S could pose a threat to the crop.**
- ✓ However sources added that sentiments may rebound from lows as adverse weather may threaten crops in the U.S.
- ✓ **Weak Millers demand:** Sentiments remained weak as there is no buying from millers who roughly have about 5 lakh bales of cotton.
- ✓ **Higher production estimates:** ICAC has forecasted higher production estimates for 2011-12 at 27.6m tonnes a jump by 11.3%.
- ✓ **Increase in Area in India:** Sources added that acreage under cotton crop next season, starting August 2011, is expected to increase 7-10 per cent, following high prices and expectations of higher minimum support price (MSP) from the government.
- ✓ Official sources said acreage may go up from 11.1 million hectares at present (this season) to a high of 12 million hectares.
- ✓ **Lower production estimates:** According to the Cotton Advisory Board production estimates are likely to stay close to 31.2 million bales compared to earlier estimate of 32.9 million bales/
- ✓ **Planting in U.S:** USDA said that Planting was most advanced in California at 35 %, Arizona at 25% and Louisiana at 28 %.
- ✓ **China Output:** 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).

In the short term, cotton prices may remain range bound to weak on weak millers demand and higher global production estimates.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	3800-4250	-	125
Amravati (Maharashtra)	Vunni Mech1	3000-3800	-200	400
Ahmedabad (Gujarat)	Shankar	3500-4750	-	10000
Abohar (Punjab)	J-34	5150	-	Nil
Muktsar (Punjab)	J-34	5200	-	Nil

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 05th May 2011

Month	Open	High	Low	Close	Change	%Chng
Jul -11	146.86	149.10	146.86	148.48	1.62	1.07%
Oct-11	135.37	135.37	134.82	134.82	-0.55	-0.40%
Dec-11	122.20	122.90	122.00	122.90	0.82	0.65%

*ICE futures remains closed on Saturday



Technical Analysis of Spot Prices of Kadi Market

- Price is below the 9, 18 and 27-day EMA supporting the bearish trend in short and medium term.
- MACD is moving down and supports bearish sentiments in the market.
- RSI is flat and supports sideways sentiments in the market.

Technical analysis of Kapas cash markets shows that markets may trade range bound to weak in the next trading session.

Participants may wait till prices stabilize and buy at support levels.



Support & Resistance of Spot Prices of Kadi Market

S2	S1	PCP	R1	R2
3350	3723	4250	4700	5000

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