



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 weak on Monday with Kadi, Ahmedabad and Abohar ending steady, Muktsar ending in the red and Amravati ending higher.**
- ✓ **U.S futures end lower on signs that farmers may plant more this year than forecast by the U.S government.**
- ✓ **Lower Production Estimates:** Sentiments remained firm after the Textiles Ministry has lowered India's cotton production estimates further to 30.5 million bales for the 2010-11 as unseasonal rains in December 2010 have affected the crop output.
- ✓ **Lower Arrivals:** This has caused a decline in arrivals in all major Mandi's in April. So this may push the markets up in the short-term.
- ✓ **Weak Millers demand:** Sentiments remained weak as there is no buying from millers as prices remain higher and who roughly have about 5 lakh bales of cotton.
- ✓ **Higher production estimates:** ICAC has forecasted higher production estimates for 2011-12 at 27.6 million tonnes a jump by 11.3%.
- ✓ **Increase in Area in India:** Sources added that acreage under cotton crop next season is expected to increase 7-10%, following high prices.
- ✓ Official sources said acreage may go up from 11.1 million hectares at present (this season) to a high of 12 million hectares.
- ✓ **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 firm on lower production estimates. In the long term price trend may depend on global planting in U.S and demand from China.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	3250-3750	-	25-30
Amravati (Maharashtra)	Vunni Mech1	2700-3900	+100	100
Ahmedabad (Gujarat)	Shankar	3000-4625	-	10000-12000
Abohar (Punjab)	J-34	4725	-	Nil
Muktsar (Punjab)	J-34	4725	-25	Nil

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 06th May 2011

Month	Open	High	Low	Close	Change	%Chng
Jul -11	146.86	149.10	143.80	145.56	-1.30	-0.89%
Oct-11	135.37	135.47	134.45	133.56	-1.81	-1.33%
Dec-11	122.20	124.50	121.75	122.29	+0.21	+0.17%

*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 moving down in the oversold region and warranting caution to the bears.

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
3100	3400	3750	3900	4100

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