



Price Drivers

- ❖ Higher U.S and world cotton crop.
- ❖ Increase in area in North India.
- ❖ Flooding expected in Mississippi, U.S.
- ❖ Higher production estimates in India.
- ❖ Higher production estimates in China

Fundamental Analysis

- ✓ **Cotton prices remained mixed on Thursday with Kadi and Amravati ending in the red, Abohar and Muktsar ending higher and Ahmedabad remaining steady.**
- ✓ **U.S futures end lower as USDA predict higher crop forecast at 18 million bales.**
- ✓ **U.S Production:** USDA has forecasted U.S cotton crop at a record 18 million bales, however exports were reduced due to lower U.S. supplies and increased foreign production.
- ✓ **Other Estimates:** Domestic mill use is projected at 3.8 million bales, the same as 2010-11 and ending stocks are projected at 2.5 million bales, 43 percent above 2010-11.
- ✓ **Bad Weather Conditions:** State officials in U.S said that at least 130,000 acres were flooded in Missouri, and even more land may be under water in Tennessee and Mississippi. This may push markets higher on crop losses anticipations.
- ✓ **Plantings in U.S:** USDA said initially that planting in Texas was estimated at 6.12 million acres this year, followed by Georgia at 1.45 million. USDA added that Mississippi was fifth at 530,000 acres, followed by Tennessee at 470,000 and Missouri was ninth at 360,000.
- ✓ **World Estimates:** USDA said that world cotton production is expected to be higher at 24.7 million bales, a rise of 8.8%.
- ✓ **Increase in acreage in India:** Sources added that acreage under cotton crop next season is expected to increase supported by forecasts for normal rain drive for farmers to increase planting.
- ✓ **Increase in production estimates:** Cotton Advisory Board's forecast for India is slated to be at 31.2 million bales.
- ✓ **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 higher acreage estimates in North India and U.S. In the long term price trend may depend on global planting in U.S and India and demand from China.

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

Centre	Variety	Prices	Change	Arrivals
Kadi (Gujarat)	BT Cotton	3250-4250	-125	35
Amravati (Maharashtra)	Vunni Mech1	2500-3400	-300	100
Ahmedabad (Gujarat)	Shankar	3500-4750	-	10000
Abohar (Punjab)	J-34	4950	+150	Nil
Muktsar (Punjab)	J-34	5000	+200	Nil

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 11th May 2011

Month	Open	High	Low	Close	Change	%Chng
Jul -11	151.61	151.92	146.36	146.36	-3.94	-2.60%
Oct-11	132.01	132.48	132.01	132.05	-3.25	-2.42%
Dec-11	124.99	124.99	121.90	122.00	-3.19	-2.55%

*ICE futures remains closed on Saturday



Technical Analysis of Spot Prices of Kadi Market

- Price is above the 9-day EMA supporting the bullish trend in the short term.
- Price is below the 18 and 27-day EMA supporting the bearish trend in the medium term.
- MACD is moving up in the negative region and reveals a decline in bearish momentum.
- RSI is moving up in the neutral region and supports the bullish sentiments in the markets.

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

Participants may buy at supports.



Support & Resistance of Spot Prices of Kadi Market

S2	S1	PCP	R1	R2
3600	3900	4250	4600	4900

DISCLAIMER

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>