



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 Australia.

Fundamental Analysis

- ✓ **Cotton prices remained mixed on Saturday with Kadi and Ahmedabad ending in the green, Abohar, Muktsar and Amravati ending lower.**
- ✓ **U.S futures remained mixed with the active July contract remaining weak as USDA reports higher plantings across the country.**
- ✓ **Sentiments remained weak as China took preventive steps to curb inflation which may slow its economy down which in turn curb demand for the commodity.**
- ✓ **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.
- ✓ **Higher Australian production estimates:** Australia is set to produce a record crop of over 4 million bales due to better weather conditions and higher plantings from farmers due to higher prices.

In the short term, cotton prices may remain range bound to weak on higher acreage estimates in 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	3250-4700	+250	30
Amravati (Maharashtra)	Vunni Mech1	2400-3400	-100	100
Ahmedabad (Gujarat)	Shankar	3500-4825	+75	10000
Abohar (Punjab)	J-34	4950	-50	Nil
Muktsar (Punjab)	J-34	4950	-50	Nil

Scale: 1bale = 170kg

International Market Analysis

ICE Cotton Futures Prices as on 13th May 2011

Month	Open	High	Low	Close	Change	%Chng
Jul -11	143.00	148.49	142.06	145.88	+1.58	+1.08%
Oct-11	129.30	132.00	127.50	127.55	-1.75	-1.35%
Dec-11	118.22	120.61	113.76	115.50	-3.69	-3.19%

*ICE futures remains closed on Saturday



Technical Analysis of Spot Prices of Kadi Market

- Price is above the 9 and 18-day EMA supporting the bullish trend in the short term.
- Price is below the 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
4050	4250	4750	5050	5250

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