

COTTON DAILY

5th JANUARY, 2007

SPOT MARKETS:

Bearish trend continued on Thursday in the cotton spot market amidst higher arrival, slowed export demand, feeble millers demand and weak dollar. Prices tumbled at most of the producing states. New Shankar-6 (28mm) dipped at Rs.17500-18000/candy in Gujarat with steady arrivals of 65000 bales. In Maharashtra, S-6 (29mm) for ready delivery registered down at Rs.17000-17300/candy with higher arrivals of 55000 bales. J-34 traded mostly down at Rs.1595-1680/maund with reduced arrivals of 9000 bales in Haryana and Rs.1690-1765/maund in Punjab with higher arrivals of 15000 bales. The total arrivals remained up at 1,90,000 bales (approx) in the country. At present, the export price of Indian cotton are at around 53-54 U.S. cents/pound, c & f, one of the cheapest origins in the world for south-east Asian destinations and China. Traders give varying estimates of around 600,000 bales, for India's export shipments of cotton in the quarter to December. They also reported that there are pending contracts for exports of another 400,000 bales yet to be executed. However another trader said that cotton exports slowed down over the previous weeks owing to delay in payments by several exporters to their suppliers in the countryside. Furthermore, Government agencies are procuring cotton from the farmers at MSP. But there is a payment problem, farmers said.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled mostly on Wednesday following a plunge in other commodities on the first full trading day of the New Year. Most active March cotton slipped 130 points at 54.89 cents a pound. During the session the contract dropped to a three-week low of 54.10 cents.

FUTURES MARKETS:

MCX Kapas futures continued to remain down on Thursday on thin trading activity. Speculative selling due to weakness in US dollar and slowed down export demand continued to add bearish tone. Futures market opened weak and remained down through out the trading session. NYBOT remained mostly down on Wednesday, which is likely to have a bearish impact. Most active April contract lost Rs.2.40 at Rs.374.20 after weak opening at Rs.375.40 and moved between Rs.372.50-376.20. The market remained down at the NCDEX also. Most active April contract lost Rs.2.50 at Rs.375 after weak opening at Rs.375.60 and moved between Rs.373.30-376.80.

PRICE DRIVERS:

Bullish:

1. Cotton exports expected to be pick up

Bearish:

1. Weakness in Dollar; Slowed down export demand
2. Arrivals pressure; Harvesting pressure

WEATHER:

Harvest conditions for any cotton still in the fields in northwest India will improve due to drier and warmer weather. A recent turn to drier/warmer weather in south India has helped to improve conditions for open boll cotton, after earlier rains.

TECHNICALS:

Candlesticks indicate bearish market. %K-line moving slight up at oversold region, hinting technical reversal. Prices closed far below 9-day and 18-day EMA, hinting bearish market for medium term and MACD also indicates downward market for medium term. Open interest as well as volume of trade decreased. Markets are expected to traded down following steady to weak opening with possibility of late downwards movement.

MCX Kapas April Contract-2007



SUPPORT / RESISTANCES:

MCX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	370	368	374.20	376	380

TRADE RECOMMENDATION (INTRADAY)

Sell below 375 with target towards 371, second target near 369. Put stop loss above 377.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	371	368	375	377	380

TRADE RECOMMENDATION (INTRADAY)

Sell below 376 with target towards 372, second target near 369. Put stop loss above 378.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	4.01.07	3.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1645	1660	-15.00
Muktsar-Punjab	J-34	Rs./Maund	1765	1785	-20.00
Abohar- Punjab	J-34	Rs./Maund	1710	1730	-20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1540	1550	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17800	17600-18000	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12800-13500	12800-13500	-
Maharashtra	Mech-I-29mm	Rs./Candy	17000-17200	17100-17300	-100.00
Maharashtra	Y-1	Rs./Candy	15000-15400	15000-15500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17200-17400	17300-17500	-100.00
Madhya Pradesh	Y-1	Rs./Candy	15300-15600	15000-15500	+300.00

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