

COTTON DAILY

27th JANUARY, 2007

SPOT MARKETS:

Cotton prices recovered marginally Thursday after hitting a fresh lows in the season in recent trade across North India market. Lack of sellers at mostly lower price levels coupled with fresh buying by the local mills pushed up the prices in North, traders said. However it traded steady at the other major markets in the country. Southern mills continued to show good demand for Maharashtra cotton. New Shankar-6 (28mm) continued to stay steady at Rs.17500-17900/candy in Gujarat with reduced arrivals of 40,000 bales. However J-34 increased and quoted at Rs.1540-1645/maund with reduced arrivals of 6,000 bales in Haryana. In Punjab, it traded up at Rs.1625-1720/maund with reduced arrivals of 11,000 bales in Punjab. The total arrivals reduced to 1,30,000 bales (approx) in the country. Traders said, payments from several earlier export deals have still not been received from buyers and this has led to a slowdown in finalization of further contracts. They also reported that the local demand is limited because mills are already holding inventories to meet their demand for the next few months. The large mills are holding stocks for six months while smaller ones have stocks for three months. In addition to, the government agencies are delaying payments to the farmers for several months though the procurement is running on. At present, India is offering cotton at around 52 U.S. cents a pound, c & f, one of the cheapest origins in the world for south-east Asian destinations and China.

INTERNATIONAL MARKET:

NYBOT cotton futures backpedaled Wednesday amidst speculative selling, with light commercial buying providing support at the lows. March tumbled 35 points to settle at 54.47 cents in low-volume trade, while May slipped 27 points to 55.50 cents. In China, cotton lint prices continued to show sideways movement, with the standard T328 quoted an average inland price of 12,970 yuan/ton. Cotton prices in Pakistan have continued to rally due to domestic mills aggressively take up local cotton. NIAB varieties rallied Rs.25-75/maund, with average prices reaching Rs.2,475/maund. MNH-93 price surged up to Rs.25/maund, putting prices at Rs.2,565-2,625/maund.

FUTURES MARKETS:

MCX Kapas futures hovered up Thursday on strong buying support at lower level. NYBOT cotton futures remained down Wednesday, which is likely to have bearish impact at early hour. Market opened weak and moved up thereafter. Most active April contract climbed Rs.3.80 at Rs.390 after weak opening at Rs.385.70 and hovered between Rs.385.30-391. NCDEX most active April contract gained Rs.4.50 at Rs.391 following weak opening at Rs.386.20 and moved between Rs.385.80-392.

PRICE DRIVERS:

1. Mills are well stocked with cotton for next few months
2. No fresh export deal amidst payment problem
3. Pakistan's monthly import demand

WEATHER:

Mostly dry weather favors the remaining harvest of cotton through central and south India at this time.

TECHNICALS:

Candlesticks shows upward market for the next trading day. %K-line prevails above %D line at overbought region, indicating technical reversal near. Prices closed far above 9-day and 18-day EMA, hints strong market for medium term and MACD also indicates bullish market for medium term. Open interest significantly declined but volume of trade increased. Kapas is likely to trade bullish 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	388	386	390	393	395

TRADE RECOMMENDATION (INTRADAY)

Buy above 389 with target towards 392, second target near 394. Put stop loss below 387.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	389	387	391	395	397

TRADE RECOMMENDATION (INTRADAY)

Buy above 390 with target towards 393, second target near 395. Put stop loss below 388.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	25.01.07	24.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1590	1580	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1710	1710	-
Abohar- Punjab	J-34	Rs./Maund	1650	1630	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1565	1560	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17900	17500-17900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12700-13200	12700-13200	-
Maharashtra	Mech-I-29mm	Rs./Candy	17200-17400	17300-17400	-100.00
Maharashtra	Y-1	Rs./Candy	15200-15700	15200-15700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17300-17500	17300-17500	-
Madhya Pradesh	Y-1	Rs./Candy	15300-15700	15300-15700	-

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