

COTTON DAILY

25th JANUARY, 2007

SPOT MARKETS:

Cotton continued to remain bearish on Wednesday in Haryana and Punjab due to reduced demand from local mills and southern mills coupled with higher arrivals. However it traded steady at the other major markets in the country. Southern mills witnessed good demand for Maharashtra cotton. In the meantime, the local mills have well stocked with cotton and the demand remained weak from them in North India, traders said. New Shankar-6 (28mm) registered steady at Rs.17500-17900/candy in Gujarat with steady intake of 45,000 bales. J-34 tumbled and quoted at Rs.1460-1625/maund with higher arrivals of 7,000 bales in Haryana. In Punjab, it registered down at Rs.1610-1725/maund with higher arrivals of 12,000 bales in Punjab. The total arrivals stood at 1,45,000 bales (approx) in the country. On the other hand, Maharashtra is likely to produce 27.5 million quintals of seed cotton in 2006/07. Over 1,500,000 tons of cotton has been purchased by Merchandisers. Private ginners purchased 1,000,000 tons of seed cotton, the CCI bought 250,000 tons and the Maharashtra Federation acquired 270,000 tons. In addition to, Pakistan is importing cotton between 50,000-100,000 bales per month from India, which is providing underlying support. But the exporters are not interested to sell more cotton due to delay in payments from south-east Asia and China. 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 53 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 hovered up Tuesday on speculative buying and bullish options trades, which triggered prices to three-session highs, along with commercial buying on price dips. Most-active March cotton climbed 73 points to settle at 54.82 cents, and May surged 60 points to 55.77 cents. Cotlook Cotton indexes remained down Tuesday. North Europe A Index (2006-07 Crop) remained down by 40 points at 59.75 cents/pound and B Index down 25 points at 57.10 cents/pound. Far Eastern A Index (2006-07 Crop) quoted down by 40 points at 58.30 cents/pound.

FUTURES MARKETS:

MCX Kapas futures moved up Wednesday amidst buying support at lower level and strong international prices. NYBOT hovered up on Tuesday, which is likely to have bullish impact. Market opened firm and hovered up thereafter. Most active April contract gained Rs.3.10 at Rs.386.20 after firm opening at Rs.383.30 and traded between Rs.382.70-387.50. NCDEX most active April contract surged Rs.2.50 at Rs.386.50 after weak opening at Rs.383.70 and hovered between Rs.383.30-387.90.

PRICE DRIVERS:

1. Poor demand from local mills & Southern mills in North
2. Local mills have well stocked with cotton
3. Pakistan's monthly import demand; Payment problem

WEATHER:

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

TECHNICALS:

Candlesticks indicate bullish market for the next trading day. %K-line moving up and remains above %D line at overbought region, indicating technical reversal near. Prices closed above 9-day and 18-day EMA, indicates upward market for medium term and MACD also hints upward market for medium term. Open interest decreased but volume of trade increased significantly. Kapas is likely to remain up after steady to firm 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 | 385 | 383 | 386.20 | 389 | 392 |

TRADE RECOMMENDATION (INTRADAY)

Buy above 385.50 with target towards 388.50, second target near 390. Put stop loss below 383.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|--------|-----|-----|
| April | 385 | 383 | 386.50 | 390 | 392 |

TRADE RECOMMENDATION (INTRADAY)

Buy above 386 with target towards 389, second target near 391. Put stop loss below 384.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 24.01.07 | 23.01.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|--------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1580 | 1590 | -10.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 1710 | 1720 | -10.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 1625 | 1635 | -10.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1560 | 1560 | - |
| 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 | 17300-17400 | 17300-17400 | - |
| 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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