

## COTTON DAILY

4<sup>th</sup> JANUARY, 2007

### SPOT MARKETS:

Cotton prices continued to remain bearish on Wednesday at most of the domestic spot market owing to reduced export demand. Furthermore, strong arrivals pressure added to bearish tone. Prices tumbled down at most of the producing states. New Shankar-6 (28mm) dropped to Rs.17600-18000/candy in Gujarat with steady arrivals of 65000 bales. In Maharashtra, cotton quoted down amidst higher arrivals of 50000 bales, therefore S-6 (29mm) for ready delivery registered down at Rs.17100-17300/candy. J-34 traded down at Rs.1615-1680/maund with higher arrivals of 10000 bales in Haryana and it quoted down at Rs.1705-1780/maund in Punjab. The total arrivals remained steady over previous day at 1,75,000 bales (approx) in the country. Cotton growers in Gujarat are ready to cater to the demand of other countries of the world following exporting over 2.5 million bales cotton to China last year. Besides this, cotton farmers of Gujarat are expected to add France as major importer in their order books. According to sources, France is likely to import at least 2 lakh bales of high-quality cotton from growing districts including Surendranagar. However cotton prices are expected to be stable amidst huge arrivals till March and prices may increase thereafter due to demand from both domestic and overseas textile industry. Even unpredictable change in weather of Asia and US and drought in Australia are likely to affect supply of cotton.

### INTERNATIONAL MARKET:

NYBOT remained closed on Monday on New Year celebration. There was no report about Pakistan cotton market.

### FUTURES MARKETS:

MCX Kapas futures witnessed bearish trend on Wednesday on thin trading activity. Speculative selling due to weakness in US dollar and weak export demand continued to add bearish tone. Futures market opened weak and remained down through out the trading session. NYBOT remained closed on Tuesday. Most active April contract slipped Rs.1.70 at Rs.376.80 after weak opening at Rs.377 and moved between Rs.374.50-377.60. The market remained down at the NCDEX also. Most active April contract lost Rs.1.40 at Rs.378 after weak opening at Rs.378 and moved between Rs.375.20-389.60.

### PRICE DRIVERS:

#### Bullish:

1. Speculation of import demand from China and France

#### Bearish:

1. Bearish US Dollar
2. Decreased export demand
3. Arrivals pressure
4. Harvesting pressure

### WEATHER:

Drier and warmer weather will help to improve harvest conditions for any cotton still in the fields in northwest India. 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 strong opening. %K-line moving down at oversold region, hinting bearish market but technical reversal near. Prices closed far below 9-day and 18-day EMA, hinting bearish market for medium term and MACD also indicates bearish market for medium term. Open interest as well as volume of trade decreased. Markets are expected to remain up following steady to strong 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	373	369	376.80	378	382

### TRADE RECOMMENDATION (INTRADAY)

Traders might take position to **Sell** below 378 with target towards 374, second target near 372. Put stop loss above 380.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	372	368	378	381	385

### TRADE RECOMMENDATION (INTRADAY)

Traders might take position to **Sell** below 379 with target towards 374, second target near 372. Put stop loss above 382.

#### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	3.1.07	2.1.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1660	1665	-5.00
Muktsar-Punjab	J-34	Rs./Maund	1785	1790	-5.00
Abohar- Punjab	J-34	Rs./Maund	1730	1745	-15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1550	1560	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17600-18000	17700-18000	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12800-13500	13000-14000	-200.00
Maharashtra	Mech-I-29mm	Rs./Candy	17100-17300	17300-17500	-200.00
Maharashtra	Y-1	Rs./Candy	15000-15500	15200-15600	-200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17300-17500	17400-17600	-100.00
Madhya Pradesh	Y-1	Rs./Candy	15000-15500	15200-15600	-200.00

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