

COTTON DAILY

12th JANUARY, 2007

SPOT MARKETS:

Cotton prices remained weak in North India Thursday due to weak demand from local mills and foreign buyers. Most mills had already covered their raw cotton needs for the next few months. China, a major buyer of Indian cotton, hasn't been buying much in recent weeks and demand from there won't likely increase until March, said traders. However the market remained steady in other cotton markets on almost stable demand supply scenario. New Shankar-6 (28mm) quoted steady at Rs.17500-17900/candy in Gujarat on stable arrivals of 65,000 bales. Arrivals in Maharashtra reduced and prices remained rangebound. J-34 declined in North India and prices quoted at Rs.1610-1690/maund despite reduced arrivals of 8,000 bales in Haryana. It also traded weak in Punjab and offered in the range of Rs.1680-1780/maund on steady arrivals of 15000 bales. The total arrivals stood at 1, 80,000 bales (approx) in the country. CCI and Maharashtra State Cotton Federation are procuring cotton at MSP, which is providing underline support to the market. As per the consensus arrived at the All-India Cotton Conference, Cotton crop for 2006-07 is estimated at 270 lakh bales. Gujarat's output was placed at 90 lakh bales followed by Maharashtra at 55 lakh bales and Andhra Pradesh 32 lakh bales. Northern States (Punjab, Haryana and Rajasthan) accounted for 50 lakh bales of which 31 lakh bales had arrived till end-December.

INTERNATIONAL MARKET:

NYBOT cotton futures settled slight down on Wednesday, though the market recovered early losses amidst trade buying and speculative buying later in the session, which inspired short-covering. Most-active March cotton slipped 17 points to settle at 53.93 cents, up from the 53.35 one-month low hit earlier in the session. The domestic cotton yarn prices in China have stabilized following steadily declining from late September. The price of open-end, 10s-count cotton yarn peaked at 13,180 yuan/ton in September, and then prices declined consistently before bottoming in December at 12,665 yuan/ton and prices are now stable at near 12,895-12,900 yuan/ton.

FUTURES MARKETS:

MCX Kapas futures recovered and settled up Thursday amidst buying support at mostly lower level. Most active April contract gained Rs.2.30 at Rs.380.60 after steady opening at Rs.378.40 and moved between Rs.377.10-380.60. NCDEX Kapas futures rebounded also. Most active April contract gained Rs.2.40 at Rs.381 following steady opening at Rs.378.90 and traded between Rs.377.40-381.20.

PRICE DRIVERS:

1. Weak demand from local mills & foreign buyers
2. Modest demands from Southern mills
3. Weak export demand from China; Arrivals pressure
4. Production estimated at 270 lakh bales in India in 2006-07

WEATHER:

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

TECHNICALS:

Candlesticks hints bullish market for the next trading day. %K-line moving up and remains above %D line at neutral region. Prices closed just below 9-day and 18-day EMA, hinting slight weak market for short term and MACD hints steady market for short term. Open interest steady but volume of trade increased. Kapas is likely to trade strong following 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	377	375	380.60	383	385

TRADE RECOMMENDATION (INTRADAY)

Buy above 379 with target towards 382, second target near 384. Put stop loss below 377.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	378	376	381.00	384	386

TRADE RECOMMENDATION (INTRADAY)

Buy above 379.50 with target towards 383.50, second target near 385. Put stop loss above 377.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	11.01.07	10.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1640	1645	-5.00
Muktsar-Punjab	J-34	Rs./Maund	1770	1775	-5.00
Abohar- Punjab	J-34	Rs./Maund	1705	1715	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1575	1570	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17900	17500-17900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12800-13500	12800-13500	-
Maharashtra	Mech-I-29mm	Rs./Candy	17000-17400	17000-17200	-
Maharashtra	Y-1	Rs./Candy	15200-15600	15000-15600	+200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17200-17400	17200-17400	-
Madhya Pradesh	Y-1	Rs./Candy	15300-15600	15300-15600	-

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