

COTTON DAILY

30th DECEMBER, 2006

SPOT MARKETS:

Rangebound with steady undertone continued at the cotton spot market due to almost stable demand supply scenario. Strong import demands from neighbouring countries continued to provide underlying support. The prices strengthened further in Haryana and Punjab mandis amidst steady arrivals. New Shankar-6 (28mm) observed steady at around Rs.17700-18200 per candy in Gujarat with steady intakes of 65000 bales. In Maharashtra, cotton maintained steady undertone with reduced arrivals of 50000 bales, therefore S-6 (29mm) for ready delivery offered at Rs.17300-17500 per candy. J-34 cotton gained Rs.5/maund in Haryana and Punjab. It traded at Rs.1630-1735 per maund with totalled arrivals of 9000 bales in Haryana while it quoted up at Rs.1715-1800 per maund in Punjab. The total arrivals remained weak to 1,75,00,000 bales in the country. Traders said, fresh export demand from Bangladesh, Pakistan and China are offsetting the strong arrivals. India's Cotton Advisory Board released its latest production estimate for 2006/07 placing the crop at 27 million 170-k bales, up from 24.4 million 170-k bales produced in 2005/06 and representing a new record. Prices of cottonseed oilcake in Akola remained down at Rs 291.55.

INTERNATIONAL MARKET:

NYBOT cotton futures hovered up to new 13-week highs on Thursday triggered by year-end speculative and fund buying. Most active March surged 58 points to settle at 56.96 cents a pound. Trading activity witnessed moderate at the Karachi cotton market on Thursday. Around 9,000 bales changed hands. The Karachi cotton association (KCA) spot rate remained unchanged at Rs.2,500/maund. Punjab lint dominated the market due to leading buyers purchased majority of fine stocks on slightly higher price. Cotlook cotton indexes remained unchanged on Thursday.

FUTURES MARKETS:

MCX Kapas futures continued to trade rangebound with thin trading activity. Futures market opened strong and traded within the narrow range and finally settled at positive territory. Most active April contract gained Rs.0.60 at Rs.388.30 after slight strong opening at Rs.388.40 and moved within the range of Rs.387.60-389.60. Kapas futures traded rangebound at the NCDEX with thin trading activity.

PRICE DRIVERS:

Bullish:

1. Export demand; Millers demand
2. Reduced arrival

Bearish:

1. Higher production report in China and Pakistan
2. 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 hints bearish market. %K-line moving up to intersect %D line at overbought region, indicating technical reversal. Prices closed below 9-day and 18-day EMA, indicating downward market for medium term and MACD also indicates bearish market for medium term. Open interest remained steady but volume of trade decreased. Markets are likely to trade weak following steady to weak opening with possibility of late upwards movement.

MCX Kapas April Contract-2007



SUPPORT / RESISTANCES:

MCX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	385	383	388.30	390	393

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	385.60	382.5	389.50	395.5	398.5

TRADE RECOMMENDATION: (INTRADAY)

MCX Kapas April Contract 2007:

Traders might take position to **Sell** below 390 with target towards 386, second target near 385. Put stop loss above 392.

NCDEX Kapas April Contract 2007:

Traders might take position to **Sell** below 391 with target towards 386.5, second target near 384. Put stop loss above 394.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	29.12.06	28.12.06	Change
Sirsa- Haryana	J-34	Rs/Maund	1700	1700	-
Muktsar-Punjab	J-34	Rs/Maund	1800	1795	+5.00
Abohar- Punjab	J-34	Rs/Maund	1750	1745	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs/Maund	1590	1590	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17700-18100	17700-18200	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13000-14000	13000-14000	-
Maharashtra	Mech-I-29mm	Rs./Candy	17300-17500	17300-17500	-
Maharashtra	Y-1	Rs./Candy	15200-15700	15300-15700	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17300-17500	17400-17600	-100.00
Madhya Pradesh	Y-1	Rs./Candy	15500-15800	15500-15800	-

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