

COTTON DAILY

22nd JANUARY, 2007

SPOT MARKETS:

Cotton tumbled sharply on Saturday at most of the spot market amidst increasing cases of selling and sluggish buying. The limited local demand from the mills is also keeping pressure on prices. Meanwhile, the local mills have well stocked with cotton and the demand is decreasing, traders said. However new Shankar-6 (28mm) traded steady at Rs.17500-17900/candy in Gujarat with arrivals of 50,000 bales. J-34 plunged and quoted at Rs.1590-1650/maund despite lower arrivals of 6,000 bales in Haryana. In Punjab, it registered down at Rs.1635-1755/maund with higher arrivals of 10,000 bales in Punjab. The total arrivals reduced to 1,50,000 bales (approx) in the country. 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. Besides this, the government agencies are delaying payments to the farmers for several months though the procurement is running on. Farmers said that it is required for their winter crop plantings. 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. In India, the acreage of GM Bt cotton is estimated to have surpassed that of China in 2006 for the first time.

INTERNATIONAL MARKET:

NYBOT cotton futures traded mixed, with March up slightly and May modestly lower in rangebound trade ahead of the weekend. March gained 2 points to 54.55 cents a pound while May lost 4 points to 55.48 cents. The U.S. dollar was narrowly mixed against the world's major currencies. Cotlook Cotton indexes declined Friday. North Europe A Index (2006-07 Crop) remained down by 30 points at 60.30 cents/pound and B Index also down by 30 points at 57.35 cents/pound. Far Eastern A Index (2006-07 Crop) quoted down by 25 points at 58.95 cents/pound.

FUTURES MARKETS:

MCX Kapas futures recovered Saturday on buying support at lower level despite weak spot market. NYBOT remained mixed on Friday, which is likely to provide underlying support. Market opened mostly up and hovered up thereafter on speculative buying. Most active April contract gained Rs.3.10 at Rs.383.20 after firm opening at Rs.381.50 and traded between Rs.380.80-383.80. NCDEX most active April contract surged Rs.2.50 at Rs.383.50 after firm opening at Rs.381.20 and hovered between Rs.381.20-384.50.

PRICE DRIVERS:

1. Limited offtake by the local mills; Increasing selling
2. Most of the mills are well stocked with cotton
3. Pakistan's monthly import demand
4. Procurement by the Government's agencies

WEATHER:

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

TECHNICALS:

Candlesticks hint bullish market for the next trading day. %K-line prevails below over %D line at neutral region, indicating bearish market. Prices closed above 9-day and 18-day EMA, indicates steady market for medium term and MACD indicates bullish market for medium term. Open interest as well as volume of trade remains steady. Kapas is likely to trade 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	382	380	383.20	386	388

TRADE RECOMMENDATION (INTRADAY)

Buy above 382.50 with target towards 385.50, second target near 387. Put stop loss below 380.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	382	379	383.50	387	389

TRADE RECOMMENDATION (INTRADAY)

Buy above 383 with target towards 386, second target near 388. Put stop loss below 381.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	20.01.07	19.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1600	1610	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1735	1750	-15.00
Abohar- Punjab	J-34	Rs./Maund	1650	1680	-30.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1540	1560	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17900	17500-17900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12700-13200	12800-13200	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	17200-17300	17200-17400	-
Maharashtra	Y-1	Rs./Candy	15200-15700	15300-15600	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17400-17600	17500-17700	-100.00
Madhya Pradesh	Y-1	Rs./Candy	15300-15600	15400-15600	-100.00

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