

COTTON DAILY

17th JANUARY, 2007

SPOT MARKETS:

Cotton prices improved Tuesday at most of the market amidst reduced arrival and fresh demand from local mills and foreign buyers. However the demands from the exporters got weakened due to lack of new consignment with the importers. New Shankar-6 (28mm) quoted up at Rs.17500-17900/candy in Gujarat despite higher arrivals of 60,000 bales. J-34 surged marginally in North India and prices offered at Rs.1595-1665/maund with average arrivals of 7,000 bales in Haryana. It quoted up in the range of Rs.1660-1760/maund despite higher arrivals of 10,000 bales in Punjab. The total arrivals increased to 1,60,000 bales (approx) in the country. According to sources, the annual cotton production in this year is expected to grow 30% as compared to last year. This year a mark yield of 270 lakh bales has placed India to the second position after China and ahead of US. The western states like Vidharbha and Marathwada have contributed significantly to the total output of the cotton yield. Maharashtra and Gujarat is likely to contribute around 45 lakh and 100 lakh bales respectively. The 9 million acres under Bt cotton which fight the dreaded bollworm is supposed to add more than Rs7,000 crore to rural India's income in 2006. On the other hand, cotton spinners in Pakistan have demanded to their federal government to allow cotton imports from India via the Wagha Border, to enable them to meet the shortage of around three million bales of cotton in the country.

INTERNATIONAL MARKET:

NYBOT remained closed on Monday. Cotton traded weak during the week on signs of dwindling demand for US exports. On the NYBOT, the March contract dropped to 53.60 US cents per pound at about 1615 GMT on Friday, from 54.34 US cents the previous week. The Cotton Outlook Index of physical cotton stood at 59.20 US cents on Thursday, from 60.60 cents a week earlier. KCA spot rate is firmly stands at Rs.2,500/maund from last couple of weeks. The quality lint even fetched Rs 2,625/maund.

FUTURES MARKETS:

MCX Kapas futures hovered up Tuesday on speculative buying at lower level due to strong spot market prices. Futures market opened strong and prevailed mostly up throughout the session. Most active April contract climbed Rs.5.50 at Rs.383.70 after firm opening at Rs.378.90 and traded between Rs.378-384.20. NCDEX Kapas futures also surged in tandem with the MCX. Most active April contract settled Rs.5.20 up at Rs.384 after weak opening at Rs.378.50 and hovered between Rs.378.20-384.50.

PRICE DRIVERS:

1. Fresh demand from local mills
2. Moderate demands from Southern mills
3. Weak demands from exporters
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 hint strong market for the next trading day. %K-line moving up after made bullish cut with %-D line at neutral region, indicating bullish market. Prices closed above 9-day and 18-day EMA, indicating slight upward market for medium term and MACD hints upward market for medium term. Open interest decreased but volume of trade increased. Kapas is expected to trade bullish 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	383.70	386	389

TRADE RECOMMENDATION (INTRADAY)

Buy above 382.50 with target towards 385.50, second target near 388. Put stop loss below 380.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	382	379	384	387	390

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	16.01.07	15.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1615	1610	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1745	1745	-
Abohar- Punjab	J-34	Rs./Maund	1680	1675	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1555	1550	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17900	17400-17900	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12700-13400	12700-13000	-
Maharashtra	Mech-I-29mm	Rs./Candy	17300-17400	17300-17500	-
Maharashtra	Y-1	Rs./Candy	15300-15700	15200-15500	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17500-17800	17200-17400	+300.00
Madhya Pradesh	Y-1	Rs./Candy	15300-15600	15300-15600	-

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