

COTTON DAILY

2nd JANUARY, 2007

SPOT MARKETS:

Cotton prices witnessed steady to rangebound sentiment on Monday at most of the domestic market except Rajasthan, Haryana and Punjab due to almost stable demand supply scenario. Robust import demands from neighbouring countries continued to provide underlying support. However the prices fell down in Punjab, Haryana and Rajasthan mandis due to sluggish demands from mills despite lower arrival. New Shankar-6 (28mm) has maintained steady prices at around Rs.17700-18200/candy in Gujarat despite higher arrivals of 65000 bales. In Maharashtra, cotton observed steady tone with reduced arrivals of 35000 bales, therefore S-6 (29mm) for ready delivery quoted at Rs.17300-17500 per candy. J-34 cotton lost in Punjab, Haryana and Rajasthan. It traded at Rs.1625-1710/maund with totalled arrivals of 9000 bales in Haryana and it quoted down at Rs.1710-1790/maund in Punjab. The trading activity witnessed poor at most of the market. The total arrivals reduced to 1,50,00,000 bales in the country. It is expected that India would emerge as one of the leading cotton exporters in 2007 owing to its quality and pricing. Besides, China is likely to lead cotton importers and there is a good opportunity for Indian cotton exporters to grab Chinese textile sector. The 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 Saturday. Cotton prices in Karachi of Pakistan witnessed steady market during the last trading week of the year amidst low volume prior to Eid holidays, while cotton yarn market saw another week of falling prices. The Spot Rate Committee of the Karachi Cotton Association (KCA) left cotton rate for base grade-III unchanged at Rs2,500 per maund.

FUTURES MARKETS:

MCX Kapas futures opened weak on Monday and declined thereafter amidst selling pressure on thin trading activity. NYBOT remained closed on Saturday. Most active April contract slipped Rs.3.90 at Rs.384.30 following weak opening at Rs.387.60 and hovered between Rs.383.30-387.60 during Monday's trading. It traded bearish also at the NCDEX with thin trading activity. Most active April contract moved between Rs.384.20-387.80.

PRICE DRIVERS:

Bullish:

1. Export demand; Millers demand; Reduced arrival

Bearish:

1. Somehow poor millers demand in India
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 down after made bearish cut with %D line at neutral region, indicating bearish market. Prices closed 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 increased. Markets are expected to remain down following steady to strong 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	382	378	384.30	386	390

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	382	378	385.10	387	390

TRADE RECOMMENDATION: (INTRADAY)

MCX Kapas April Contract 2007:

Traders might take position to **Sell** below 386 with target towards 383, second target near 379. Put stop loss above 388.

NCDEX Kapas April Contract 2007:

Traders might take position to **Sell** below 387 with target towards 383, second target near 379. Put stop loss above 390.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	1.01.07	30.12.06	Change
Sirsa- Haryana	J-34	Rs./Maund	1670	1695	-25.00
Muktsar-Punjab	J-34	Rs./Maund	1790	1805	-15.00
Abohar- Punjab	J-34	Rs./Maund	1745	1755	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1570	1590	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17700-18000	17700-18100	-
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	15200-15700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17500-17700	17500-17700	-
Madhya Pradesh	Y-1	Rs./Candy	15500-15700	15500-15700	-

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