

COTTON DAILY

29th JANUARY, 2007

SPOT MARKETS:

Cotton hovered up Saturday at the domestic spot market in tandem with the futures market on strong demand from local mills and reduced arrivals. Lack of sellers at mostly lower price levels coupled with fresh buying by the local mills pushed up the prices, traders said. Southern mills continued to show good demand for Maharashtra cotton. New Shankar-6 (28mm) increased to Rs.17600-18000/candy in Gujarat with reduced arrivals of 40,000 bales. J-34 climbed and quoted at Rs.1600-1660/maund with reduced arrivals of 5,000 bales in Haryana. In Punjab, it traded up at Rs.1645-1730/maund with reduced arrivals of 9,000 bales in Punjab. The total arrivals reduced to 1,25,000 bales (approx) in the country. Traders said, payments from several earlier export deals have still not been received from buyers and this has led to a slowdown in finalization of further contracts. They also reported that the local demand is limited because mills are already holding inventories to meet their demand for the next few months. The large mills are holding stocks for six months while smaller ones have stocks for three months. In addition to, the government agencies are delaying payments to the farmers for several months though the procurement is running on. At present, India is offering cotton at around 52 U.S. cents a pound, c & f, one of the cheapest origins in the world for south-east Asian destinations and China.

INTERNATIONAL MARKET:

NYBOT cotton futures marginally declined on Friday amidst speculative sales however trade buying provided support at the lows. March slipped 25 points to settle at 54.12 cents a pound, and May slid 22 points to 55.18 cents. Futures volume was estimated at 13,038 contracts. In China, cotton lint prices continued to show sideways movement, with the standard T328 quoted an average inland price of 12,970 yuan/ton. Cotton prices in Pakistan have continued to rally due to domestic mills aggressively take up local cotton. NIAB varieties rallied Rs.25-75/maund, with average prices reaching Rs.2,475/maund. MNH-93 price surged up to Rs.25/maund, putting prices at Rs.2,565-2,625/maund.

FUTURES MARKETS:

MCX Kapas futures climbed Saturday amidst strong speculative buying. NYBOT cotton futures remained down Friday, which is likely to have bearish impact at early hour. Market opened mostly strong and moved up from lower level. Most active April contract climbed Rs.6.20 at Rs.396.30 after strong opening at Rs.391.60 and hovered between Rs.391.30-397. NCDEX most active April contract surged Rs.5.50 at Rs.396.60 following strong opening at Rs.393.80 and moved between Rs.392-397.70.

PRICE DRIVERS:

1. Increased local demands from the mills and exporters
2. No fresh export deal amidst payment problem
3. Pakistan's monthly import demand

WEATHER:

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

TECHNICALS:

Candlesticks indicate bullish market for the next trading day. %K-line prevails above %D line at overbought region, indicating technical reversal near. Prices closed far above 9-day and 18-day EMA, hints strong market for medium term and MACD also indicates bullish market for medium term. Open interest and volume of trade declined. Kapas is likely to trade up following steady to strong 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	395	392	396.30	400	402

TRADE RECOMMENDATION (INTRADAY)

Buy above 396 with target towards 399, second target near 401. Put stop loss below 394.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	394	391	396.60	400	402

TRADE RECOMMENDATION (INTRADAY)

Buy above 396 with target towards 399, second target near 401. Put stop loss below 394.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	27.01.07	25.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1610	1590	+20.00
Muktsar-Punjab	J-34	Rs./Maund	1720	1710	+10.00
Abohar- Punjab	J-34	Rs./Maund	1655	1650	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1595	1565	+30.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17600-18000	17500-17900	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12900-13300	12700-13200	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	17300-17500	17200-17400	+100.00
Maharashtra	Y-1	Rs./Candy	15300-15600	15200-15700	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17500-17600	17300-17500	+200.00
Madhya Pradesh	Y-1	Rs./Candy	15300-15600	15300-15700	-

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