

## COTTON DAILY

13<sup>th</sup> JANUARY, 2007

### SPOT MARKETS:

Cotton prices tumbled again in North India Friday amidst feeble demand from local mills and foreign buyers despite lower arrivals. Most mills had already covered their raw cotton needs for the next few months. However the market remained steady in Gujarat and remained strong in Maharashtra and M.P. due to reduced arrivals and strong demands from South India. Meanwhile, recent softness in Rupees against the dollar has propped up export demand from neighbouring countries in Gujarat, traders said. New Shankar-6 (28mm) quoted steady at Rs.17500-17900/candy in Gujarat on reduced arrivals of 55,000 bales. J-34 declined in North India and prices quoted at Rs.1600-1685/maund with steady arrivals of 8,000 bales in Haryana. It also traded weak in Punjab and offered in the range of Rs.1675-1770/maund on reduced arrivals of 14000 bales. The total arrivals condensed to 1, 68,000 bales (approx) in the country. On the other hand, India is becoming a keen competitor for US cotton growers in selling the fibre to China, the world's top consumer. According to the US agriculture department forecast, the cotton imports by China for 2006/07 at 17.25 million (480-lb) bales. India's cotton exports were estimated at 4.1 million bales. The US is the world's top exporter of cotton. USDA has estimated that US cotton exports in 2006/07 at 16 million bales, with most of that bound for China and Turkey, the second biggest market for US fibre.

### INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Thursday amidst buying supports ahead of USDA's January crop production and supply/demand tables on Friday. March cotton jumped 11 points to settle at 54.04 cents, while May gained 3 points to 54.78 cents. The U.S. dollar was higher to sharply higher against the world's major currencies. The Cotlook Cotton indexes are lower Thursday. North Europe A Index (2006-07 Crop) was down 10 points at 60.00 cents/pound. North Europe B Index (2006-07 Crops) remained down 10 points at 57.25 cents/pound. Far Eastern A Index (2006-07 Crop) quoted down 10 points at 58.70 cents/pound.

### FUTURES MARKETS:

MCX Kapas futures failed to hold the earlier gains Friday and settled down on profit booking and selling pressure. Most active April contract lost Rs.3.90 at Rs.376.20 after steady opening at Rs.380.60 and moved between Rs.375.50-380.60. NCDEX Kapas futures traded weak. Most active April contract lost Rs.3.80 at Rs.377 following strong opening at Rs.381.90 and traded between Rs.375.80-382.80.

### PRICE DRIVERS:

1. Feeble demand from local mills & foreign buyers
2. Moderate demands from Southern mills
3. Weak export demand from China; Arrivals pressure
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 indicate bearish market for the next trading day. %K-line moving down after made bearish cut with %D line at neutral region. Prices closed below 9-day and 18-day EMA, hinting slight weak market for short term and MACD hints weak market for short term. Open interest increased but volume of trade steady. Kapas is 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	373	370	376.20	379	382

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 374 with target towards 378, second target near 381. Put stop loss below 371.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	374	371	377	381	384

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 375 with target towards 379, second target near 383. Put stop loss below 372.

# VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	12.01.07	11.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1630	1640	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1760	1770	-10.00
Abohar- Punjab	J-34	Rs./Maund	1700	1705	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1570	1575	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17900	17500-17900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12800-13200	12800-13500	-
Maharashtra	Mech-I-29mm	Rs./Candy	17300-17500	17000-17400	+300.00
Maharashtra	Y-1	Rs./Candy	15300-15600	15200-15700	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17400-17600	17200-17400	+200.00
Madhya Pradesh	Y-1	Rs./Candy	15300-15700	15300-15600	-

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