

COTTON DAILY

8th JANUARY, 2007

SPOT MARKETS:

Cotton prices recovered in Gujarat, Haryana, Punjab and Rajasthan amidst fresh demands from Southern mills. Few days ago, cotton prices were witnessing a downswing market due to more and more textile mills of Southern India turning to Maharashtra and Andhra Pradesh. However the prices now quoted steady to up on Saturday. New Shankar-6 (28mm) traded up at Rs.17400-17900/candy in Gujarat with steady arrivals of 65000 bales. In Maharashtra, S-6 (29mm) offered steady at Rs.17000-17300/candy despite higher arrivals of 55000 bales. J-34 traded up at Rs.1610-1680/maund with reduced arrivals of 8500 bales in Haryana and Rs.1695-1765/maund in Punjab with steady arrivals of 15000 bales. The total arrivals increased to 1,90,000 bales (approx) in the country. The sustained buying from exporters also added to bullish tone. At present, the export price of Indian cotton are at around 53-54 U.S. cents/pound, c & f, one of the cheapest origins in the world for south-east Asian destinations and China. According to India's Textile Commissioner's Office, the final estimation of cotton consumption is placed at 19,925,308 bales for total October 2005 through September 2006. They also reported that mill stocks at the end of the season are estimated at 3,572,642 bales. Cotton crop arrivals declined to 825,000 bales during week ending December 30 due to ginner's strike in Punjab, year end holidays and a few untimely rains.

INTERNATIONAL MARKET:

NYBOT cotton futures maintained bearish trend Friday after the benchmark contract tested a nearly four-week low. Most-active March cotton slipped 14 points at 54.42 cents a pound. The bearish factors were firm dollar and sell-off in other commodities. Cotlook cotton indexes remained slight weak on Friday.

FUTURES MARKETS:

MCX Kapas futures failed to hold earlier gains and traded rangebound to slight weak on Saturday amidst profit booking and lack of buyers at upper level. Weak market in NYBOT also added to bearish tone. Most active April contract settled Rs.0.20 down at Rs.378.50 after weak opening at Rs.377.20 and moved between Rs.377.20-380.70. NCDEX Kapas futures backpedaled. Most active April contract lost Rs.1.70 at Rs.379 and moved between Rs.378.40-381.

PRICE DRIVERS:

Bullish:

1. Sustained buying from cotton exporters
2. Demands from Southern mills

Bearish:

1. Higher acreage; Slowed down export demand
2. Arrivals pressure; Harvesting pressure

WEATHER:

Harvest conditions for any cotton still in the fields in northwest India will improve due to drier and warmer weather. A recent turn to drier/warmer weather in south India has helped to improve conditions for open boll cotton, after earlier rains.

TECHNICALS:

Candlesticks indicate weak opening for the next trading day. %K-line is going up and remained above %D line at neutral region. Prices closed below 9-day and 18-day EMA, hinting bearish market for medium term but MACD indicates positive market for medium term. Open interest decreased but volume of trade increased. Markets are expected to trade up following steady to weak 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	376	374	378.50	382	384

TRADE RECOMMENDATION (INTRADAY)

Sell below 381 with target towards 377, second target near 375. Put stop loss above 383.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	377	375	379	381.5	384

TRADE RECOMMENDATION (INTRADAY)

Sell below 381 with target towards 378, second target near 376. Put stop loss above 383.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	6.01.07	5.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1645	1640	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1760	1755	+5.00
Abohar- Punjab	J-34	Rs./Maund	1705	1705	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1550	1530	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17400-17900	17300-17800	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12800-13500	12800-13500	-
Maharashtra	Mech-I-29mm	Rs./Candy	17000-17200	17000-17200	-
Maharashtra	Y-1	Rs./Candy	15000-15600	15000-15400	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17200-17400	17200-17400	-
Madhya Pradesh	Y-1	Rs./Candy	15300-15600	15300-15600	-

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