

## COTTON DAILY

3<sup>rd</sup> JANUARY, 2007

### SPOT MARKETS:

Cotton prices backpedaled on Tuesday at most of the domestic spot market due to weakness in US dollar and reduced export demand. Increased arrivals also triggered prices to down. The prices fell down in Haryana, Gujarat, Rajasthan and M.P. mandis due to sluggish demands from mills. New Shankar-6 (28mm) slipped to Rs.17500-18000/candy in Gujarat despite steady arrivals of 65000 bales. But in Maharashtra, cotton quoted steady despite higher arrivals of 50000 bales, therefore S-6 (29mm) for ready delivery offered Rs.17300-17500/candy. J-34 cotton lost in Haryana and Rajasthan. It traded at Rs.1620-1680/maund with totalled arrivals of 9000 bales in Haryana while it quoted steady at Rs.1710-1790/maund in Punjab. The total arrivals surged to 1,75,000 bales (approx) in the country. However it is expected that India would emerge as one of the leading cotton exporters in 2007 due 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 Monday on New Year celebration. Pakistan cotton market also remained closed for Eid festival.

### FUTURES MARKETS:

MCX Kapas futures remained mostly down Tuesday amidst speculative selling. Weakness in US dollar and weak export demand also provided underlying support to the market. Futures market opened steady and declined thereafter on lack of buying interest. NYBOT remained closed on Monday. Most active April contract slid Rs.5.90 at Rs.378.40 following steady opening at Rs.384.60 and hovered between Rs.377.30-384.60 during Tuesday's trading. It traded also bearish at the NCDEX. Most active April contract slipped Rs.5.80 at Rs.379.40 after weak opening at Rs.384.70 and moved between Rs.377.80-384.80.

### PRICE DRIVERS:

#### Bullish:

1. China is expected to lead cotton importers

#### Bearish:

1. Weakness in US Dollar
2. Reduced export demand
3. Arrivals pressure
4. 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 indicate bearish market. %K-line moving down at oversold region, hinting bearish market but technical reversal near. Prices closed far 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 likely to trade bearish 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	373	369	378.40	380	384

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	374	368	379.40	382	386

### TRADE RECOMMENDATION: (INTRADAY)

#### MCX Kapas April Contract 2007:

Traders might take position to **Sell** below 379 with target towards 374, second target near 370. Put stop loss above 382.

#### NCDEX Kapas April Contract 2007:

Traders might take position to **Sell** below 381 with target towards 375, second target near 370. Put stop loss above 385.

# VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	2.1.07	1.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1665	1670	-5.00
Muktsar-Punjab	J-34	Rs./Maund	1790	1790	-
Abohar- Punjab	J-34	Rs./Maund	1745	1745	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1560	1570	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-18000	17700-18000	-200.00
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	15200-15600	15200-15700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17400-17600	17500-17700	-100.00
Madhya Pradesh	Y-1	Rs./Candy	15200-15600	15500-15700	-300.00

## Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.