

COTTON DAILY

1st FEBRUARY, 2007

SPOT MARKETS:

Cotton prices hovered up Wednesday at most of the trading centre due to strong demand from the local mills and exporters along with reduced arrivals. Southern mills are witnessing positive demand for Maharashtra cotton. Some new export deal has also provided underlying support to the market, traders said. However, 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. In addition to, the government agencies are delaying payments to the farmers for several months though the procurement is running on. 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. The price advantage of Indian cotton has again stimulated some interest from Italy; but for now, no offtake can be confirmed. New Shankar-6 (28mm) registered up at Rs.17700-18100/candy in Gujarat with steady intake of 40,000 bales. J-34 climbed further and quoted at Rs.1600-1680/maund with steady arrivals of 5,000 bales in Haryana. In Punjab, it registered up at Rs.1665-1745/maund with lower arrivals of 7,000 bales. The total arrivals reduced to 1,10,000 bales (approx) in the country.

INTERNATIONAL MARKET:

NYBOT New York Board of Trade (NYBOT) cotton futures tumbled slightly Tuesday on account of modest follow-through selling after Monday's losses. Most-active March lost 22 points to 53.35 cents a pound and May plunged 19 points to 54.45. Cotton prices in China continued its side ways movement in the inland as well as way out west in Xinjiang. Inland average lint price remained at 12,966 yuan/ton while Xinjiang's price continued to hang on to the 12,675 yuan/ton level. It is reported that 40.9% of all Chinese December 2006 cotton imports came from India. The Cotlook Cotton indexes remained lower Tuesday. North Europe A Index was down by 40 points at 59.75 cents/pound. North Europe B Index was down by 25 points at 56.85 cents/pound. Far Eastern A Index was down by 40 points at 58.35 cents/pound.

FUTURES MARKETS:

MCX Kapas futures skyrocketed on Wednesday on strong speculative buying and strong spot prices. NYBOT remained down, which is likely to have no impact on the market. Market opened strong and soared thereafter and made contract high level. Most active April contract climbed Rs.7.80 at Rs.408.90 after firm opening at Rs.402.50 and hovered between Rs.402.50-409.50. NCDEX most active April contract surged Rs.7.20 at Rs.409.10 following strong opening at Rs.404 and moved between Rs.403.80-410.80.

PRICE DRIVERS:

1. Strong buying support from the local mills and exporters
2. Some new fresh export deal
3. Regular demand from Pakistan
4. Decrease in arrivals

WEATHER:

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

TECHNICALS:

Candlesticks hints bullish market for the next trading day. %K-line moving up after made a bullish cut with %D line at overbought region, hinting upward market but technical reversal near. Prices closed far above 9-day and 18-day EMA, hinting bullish market for medium term and MACD also indicates bullish market for medium term. Open interest as well as volume of trade significantly increased. Kapas is likely to remain bullish after 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 | 405 | 400 | 408.90 | 412 | 415 |

TRADE RECOMMENDATION (INTRADAY)

Sell below 412 with target towards 409, second target near 407. Put stop loss above 414.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|--------|-----|-----|
| April | 406 | 401 | 409.10 | 412 | 416 |

TRADE RECOMMENDATION (INTRADAY)

Sell below 412 with target towards 408, second target near 406. Put stop loss above 415.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 31.01.07 | 30.01.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1625 | 1620 | +5.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 1735 | 1720 | +15.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 1685 | 1665 | +20.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1610 | 1600 | +10.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 17700-18100 | 17600-18000 | +100.00 |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 13100-13500 | 13100-13500 | - |
| Maharashtra | Mech-I-29mm | Rs./Candy | 17300-17500 | 17300-17600 | - |
| Maharashtra | Y-1 | Rs./Candy | 15400-15800 | 15300-15600 | +100.00 |
| Madhya Pradesh | Mech-I-29mm | Rs./Candy | 17500-17600 | 17500-17600 | - |
| Madhya Pradesh | Y-1 | Rs./Candy | 15400-15800 | 15400-15700 | - |

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