

COTTON DAILY

29th DECEMBER, 2006

SPOT MARKETS:

Market sentiment for cotton prices continued to remain steady on Thursday despite higher arrival as compared to previous day. Strong import demands from neighbouring countries are providing underlying support. However the prices strengthened in Haryana and Punjab mandis in spite of higher arrival. The demand from the small millers observed moderate however demand from big millers remained poor. New Shankar-6 (28mm) remained steady at around Rs.17700-18200 per candy in Gujarat with steady intakes of 65000 bales. In Maharashtra, cotton maintained steady undertone with higher arrivals of 55000 bales, therefore S-6 (29mm) for ready delivery offered at Rs.17300-17500 per candy. J-34 cotton increased in Haryana and Punjab amidst fresh export demand. It traded at Rs.1630-1720 per maund with totaled arrivals of 9000 bales in Haryana while it quoted up at Rs.1715-1795 per maund in Punjab with average intake of 15000 bales. The total arrivals were about 2,00,000 bales in the country. Traders said, fresh export demand from Bangladesh, Pakistan and China are offsetting the strong arrivals. Around 28-30 lakh bales of cotton exported from India so far in this year and about 20-22 lakh bales of cottons are likely to be exported in these countries in near future. Prices of cottonseed oilcake in Akola remained down at Rs 291.55.

INTERNATIONAL MARKET:

NYBOT cotton futures fell Wednesday from recent gains on technical correction amidst overbought condition. Most-active March cotton lost 23 points to settle at 56.38 cents. In Pakistan, the trading activity remained thin at the Karachi cotton market on Wednesday. Around 2,000 bales changed hands. The Karachi cotton association spot rate fell Rs.25/maund to Rs.2,500/maund. Cotlook cotton index remained higher. For the week, the North Europe A Index is 100 points higher, the North Europe B Index is 100 points higher and the Far Eastern A Index is 120 points higher.

FUTURES MARKETS:

MCX Kapas futures traded range bound on Thursday following slight strong opening and settled at positive territory. The trading activity was thin. Most active April contract gained Rs.0.60 at Rs.387.70 after slight strong opening at Rs.387.40 and moved within the range of Rs.386-388. Kapas futures also traded rangebound at the NCDEX.

PRICE DRIVERS:

Bullish:

1. Export demand; Millers demand

Bearish:

1. Higher production report in China and Pakistan
2. Harvesting pressure; Strong arrival

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 hints indecisive market. %K-line moving down in neutral region, indicating bearish market. Prices closed below 9-day and 18-day EMA, indicating downward market for medium term and MACD also indicates bearish market for medium term. Open interest remained steady but volume of trade decreased. Markets are 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	385	383	387.70	390	393

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	385.60	382.5	389.00	395.5	398.5

TRADE RECOMMENDATION: (INTRADAY)

MCX Kapas April Contract 2007:

Traders might take position to **Sell** below 390 with target towards 386, second target near 385. Put stop loss above 392.

NCDEX Kapas April Contract 2007:

Traders might take position to **Sell** below 391 with target towards 386.5, second target near 384. Put stop loss above 394.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	28.12.06	27.12.06	Change
Sirsa- Haryana	J-34	Rs/Maund	1700	1695	+5.00
Muktsar-Punjab	J-34	Rs/Maund	1795	1790	+5.00
Abohar- Punjab	J-34	Rs/Maund	1745	1740	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs/Maund	1590	1590	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17700-18200	17700-18200	-
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	15300-15700	15300-15700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17400-17600	17400-17600	-
Madhya Pradesh	Y-1	Rs./Candy	15500-15800	15400-15700	+100.00

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