

COTTON DAILY

24th JANUARY, 2007

SPOT MARKETS:

Cotton plunged Tuesday in Haryana and Punjab on account of reduced demand from local mills and southern mills coupled with higher arrivals. However it traded steady to up at the other major markets in the country. Southern mills witnessed good demand for Maharashtra cotton. In the meantime, the local mills have well stocked with cotton and the demand remained weak from them, traders said. New Shankar-6 (28mm) registered steady at Rs.17500-17900/candy in Gujarat with steady intake of 45,000 bales. J-34 quoted mostly down at Rs.1465-1635/maund despite lower arrivals of 4,000 bales in Haryana. In Punjab, it declined to Rs.1615-1730/maund with higher arrivals of 12,000 bales in Punjab. The total arrivals stood at 1,40,000 bales (approx) in the country. On the other hand, Maharashtra is likely to produce 27.5 million quintals of seed cotton in 2006/07. Over 1,500,000 tons of cotton has been purchased by Merchandisers. Private ginners purchased 1,000,000 tons of seed cotton, the CCI bought 250,000 tons and the Maharashtra Federation acquired 270,000 tons. In addition to, Pakistan is importing cotton between 50,000-100,000 bales per month from India, which is providing underlying support. But the exporters are not interested to sell more cotton due to delay in payments from south-east Asia and China. The government agencies are delaying payments to the farmers for several months though the procurement is running on. At present, India is offering cotton at around 53 U.S. cents a pound, c & f, one of the cheapest origins in the world for south-east Asian destinations and China.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled to new one-week lows Monday amidst speculative selling as lack of bullish news. Most-active March cotton stumbled by 46 points to settle at 54.09 cents a pound--near the 54.05 session low. May slipped 31 points to 55.17 cents. Cotlook Cotton indexes remained steady to lower Monday. North Europe A Index (2006-07 Crop) remained down by 15 points at 60.15 cents/pound and B Index unchanged at 57.35 cents/pound. Far Eastern A Index (2006-07 Crop) quoted down by 25 points at 58.70 cents/pound.

FUTURES MARKETS:

MCX Kapas futures rebounded to down Tuesday on profit booking and lack of buyers at higher price levels coupled with weak spot market. NYBOT remained down on Monday, which is likely to have bearish impact. Most active April contract lost Rs.1.30 at Rs.383 after weak opening at Rs.383.70 and traded between Rs.381.20-383.70. NCDEX most active April contract lost Rs.1 at Rs.383.80 after weak opening at Rs.384.10 and hovered between Rs.381.50-384.60.

PRICE DRIVERS:

1. Poor demand from local mills & Southern mills in North
2. Local mills have well stocked with cotton
3. Pakistan's monthly import demand; Payment problem

WEATHER:

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

TECHNICALS:

Candlesticks hint slight bullish market for the next trading day. %K-line remains above %D line at overbought region, indicating strong market. Prices closed just above 9-day and 18-day EMA, indicates steady to upward market for medium term and MACD also indicates steady to upward market for medium term. Open interest as well as volume of trade increased significantly. Kapas is likely to trade bullish after steady to firm 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	381	379	383	386	389

TRADE RECOMMENDATION (INTRADAY)

Sell below 385 with target towards 382, second target near 380. Put stop loss above 387.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	380	378	383.80	386	389

TRADE RECOMMENDATION (INTRADAY)

Sell below 385.50 with target towards 382, second target near 380. Put stop loss above 388.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	23.01.07	22.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1590	1600	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1720	1740	-20.00
Abohar- Punjab	J-34	Rs./Maund	1635	1655	-20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1560	1555	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17500-17900	17500-17900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12700-13200	12700-13200	-
Maharashtra	Mech-I-29mm	Rs./Candy	17300-17400	17100-17300	+200.00
Maharashtra	Y-1	Rs./Candy	15200-15700	15200-15600	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17300-17500	17300-17500	-
Madhya Pradesh	Y-1	Rs./Candy	15300-15700	15300-15500	-

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