

## COTTON DAILY

16<sup>th</sup> JANUARY, 2007

### SPOT MARKETS:

Cotton prices tumbled marginally in North India amidst steady arrivals and lacklustre demands from local mills and foreign buyers. Most mills had already stocked for the next few months. The demands from the exporters also got weakened due to lack of new consignment with the importers. However the market remained steady at the other major mandis. New Shankar-6 (28mm) quoted steady at Rs.17400-17900/candy in Gujarat on steady arrivals of 50,000 bales. J-34 declined in North India and prices quoted at Rs.1585-1665/maund with average arrivals of 4,000 bales in Haryana. It quoted in the range of Rs.1655-1760/maund despite weak arrivals of 7000 bales in Punjab. The total arrivals reduced to 1,45,000 bales (approx) in the country. According to sources, the annual cotton production in this year is expected to grow 30% as compared to last year. This year a mark yield of 270 lakh bales has placed India to the second position after China and ahead of US. The western states like Vidharbha and Marathwada have contributed significantly to the total output of the cotton yield. Maharashtra and Gujarat is likely to contribute around 45 lakh and 100 lakh bales respectively. The 9 million acres under Bt cotton which fight the dreaded bollworm is supposed to add more than Rs7,000 crore to rural India's income in 2006. On the other hand, cotton spinners in Pakistan have demanded to their federal government to allow cotton imports from India via the Wagha Border, to enable them to meet the shortage of around three million bales of cotton in the country.

### INTERNATIONAL MARKET:

NYBOT remained closed on Saturday. Cotton traded weak during the week on signs of dwindling demand for US exports. On the NYBOT, the March contract dropped to 53.60 US cents per pound at about 1615 GMT on Friday, from 54.34 US cents the previous week. The Cotton Outlook Index of physical cotton stood at 59.20 US cents on Thursday, from 60.60 cents a week earlier.

### FUTURES MARKETS:

MCX Kapas futures traded firm on thin trading activity Monday amidst buying support from lower level. Futures market traded firm after strong opening but settled down from day's higher level. Most active April contract settled Rs.1.60 up at Rs.378.20 after firm opening at Rs.377.10 and traded between Rs.376.70-379. NCDEX Kapas futures settled Rs.1.80 up at Rs.378.60 after firm opening at Rs.377.50 and hovered between Rs.376.90-379.50.

### PRICE DRIVERS:

1. Lack of demand from local mills & foreign buyers
2. Reduced demands from Southern mills
3. Weak export demand from China; Arrivals pressure
4. Production estimated at 270 lakh bales in India in 2006-07

### WEATHER:

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

### TECHNICALS:

Candlesticks indicate bullish market for the next trading day. %K-line prevails below %D line at neutral region, indicating bearish market. Prices closed just below 9-day and 18-day EMA, indicating slight bearish market for short term and MACD hints upward market for short term. Open interest as well as volume of trade increased. Kapas is expected to trade firm 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	377	375	378.20	381	383

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 377.50 with target towards 380.50, second target near 382. Put stop loss below 375.50.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	377	375	378.60	381	384

### TRADE RECOMMENDATION (INTRADAY)

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

#### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	15.01.07	13.01.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1610	1615	-5.00
Muktsar-Punjab	J-34	Rs./Maund	1745	1750	-5.00
Abohar- Punjab	J-34	Rs./Maund	1675	1680	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1550	1555	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17400-17900	17400-17900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	12700-13000	12700-13000	-
Maharashtra	Mech-I-29mm	Rs./Candy	17300-17500	17300-17500	-
Maharashtra	Y-1	Rs./Candy	15200-15500	15200-15500	-
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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