

COTTON DAILY

28th FEBRUARY, 2007

SPOT MARKETS:

Market sentiment for cotton prices witnessed mixed tone Tuesday owing to lower off-take by the mills and limited arrivals. Prices were mostly strong in Maharashtra as strong futures market on Surendranagar Cotton exchange, which escalated the prices across the State. However, prices tumbled slightly in Gujarat and M.P. on limited off-take and slight higher arrivals over last day though some recovery in prices was observed at the last hour of trading. In addition to, no change was seen in the present outlook in the North Indian cotton market. The mills were making deals but not in a big way on expectations of fall in the rates, according to sources. On the other hand, the ginnerers were unwilling to sell their unsold stock at the current prices as they were confident that short crop will help in increasing the prices in the coming days. Cotton production is expected to be around 255-260 lakh bales during the season, as per the trader's estimates. Meanwhile, traders are now eyeing on the upcoming annual budget and they want to see whether there are changes in policy and taxation-related issues for cotton textiles. The budget is to be presented on February 28 in parliament. Shankar-6 (28mm) quoted slight down at Rs.18500-18800/candy in Gujarat with higher intakes of 25,000 bales. J-34 traded steady at Rs.1790-1850/maund with 2000 bales of arrivals in Haryana. In Punjab, it quoted stable at Rs.1840-1875/maund on lower arrivals of 4000 bales. Total arrivals were expected to be around 60,000 bales in the country.

INTERNATIONAL MARKET:

NYBOT cotton futures soared on Monday amidst speculative and fund buying and allowing the contract to post its seventh consecutive higher close. Most-active May contract increased 20 points to settle at 53.80 cents a pound and March rose 4 points to 55.37 cents. In Pakistan, the cotton prices remained almost flat on Monday in Karachi market as needy mills were active to cover their immediate needs. The Karachi Cotton Association (KCA) official spot rate remained flat at Rs.2,525/maund, without upcountry expenses. Cotlook Cotton indexes increased further on Monday. North Europe A Index (2006-07 Crop) gained 30 points at 59.75 cents/pound while North Europe B Index (2006-07 Crop) added 15 point at 57.15 cents/pound. Far Eastern A Index (2006-07 Crop) rose 25 points at 58.50 cents/pound.

FUTURES MARKETS:

MCX Kapas futures rebounded to mostly up Tuesday amidst profit taking and technical buying coupled with strong international market. Market was hovering up after firm opening on strong spec buying. Most active April contract climbed Rs.7.90 at Rs.428.30 after strong opening at Rs.420.80 and hovered between Rs.420.60-428.80. NCDEX most active April contract gained Rs.8.50 at Rs.429.70 after strong opening at Rs.421.60 and moved between Rs.421.60-429.90.

PRICE DRIVERS:

1. Limited off-take by the mills; Limited arrivals
2. Strong international market aspect; Upcoming budget

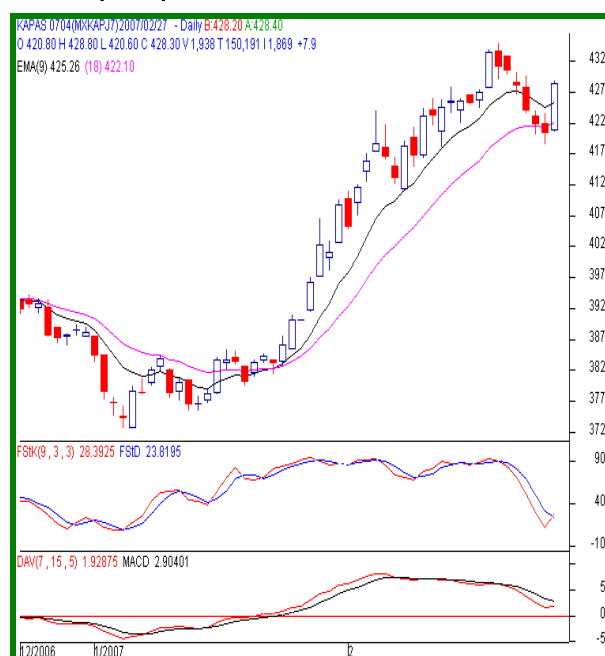
WEATHER:

Out of season crop.

TECHNICALS:

Candlestick favours the bulls for the next trading day. %K-line moving up after made bullish cut with %D line at neutral region, hints upward market. Prices closed just above 9-day and 18-day EMA, favours the bulls for medium term but MACD hints bearish market for medium term. Open interest declined but volume of trade significantly increased. Kapas is expected to remain bullish after 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	427	424	428.30	431	433

TRADE RECOMMENDATION (INTRADAY)

Buy above 427.50 with target towards 430.50, second target near 432.50. Put stop loss below 425.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	428	425	429.70	433	435

TRADE RECOMMENDATION (INTRADAY)

Buy above 429 with target towards 432, second target near 434. Put stop loss below 427.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	27.02.07	26.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1840	1840	-
Muksar-Punjab	J-34	Rs./Maund	1850	1855	-5.00
Abohar- Punjab	J-34	Rs./Maund	1845	1845	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1750	1755	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18800	18600-18900	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14200-14800	14300-14900	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18600-19000	18400-18900	+200.00
Maharashtra	Y-1	Rs./Candy	17600-17800	17500-17700	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18700-19000	18900-19200	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

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