

COTTON DAILY

17th FEBRUARY, 2007

SPOT MARKETS:

Cotton prices continued to remain very strong Friday in Gujarat market due to reduced arrivals despite stable demand from the exporters and local millers. Cotton traded up at the other major markets of the country. Currently, arrivals are maintaining the market prices, traders said. Arrivals were only nominal in Gujarat market, around 20,000 bales. On Friday, Shankar-6 (28mm) quoted mostly up at Rs.18500-18800/candy in Gujarat. However J-34 traded steady to slight up at Rs.1695-1755/maund with improved arrivals of 2,000 bales in Haryana. In Punjab, it quoted slight up at Rs.1725-1800/maund with average intakes of 4,000 bales. The mills are attempting to replenish stocks at the market yards on expectation of higher prices in the near future. Traders are expecting that the prices would maintain this bullish trend for the next few weeks as traders wait to see whether there are changes in policy and taxation related issues in the upcoming annual budget of the government. The budget is to be presented in Parliament on February 28. At present, the daily average arrivals of cotton in the country reduced to 60,000 bales approximately, down from 110,000-115,000 bales at the beginning of this month. Around 200 lakh bales of cotton have already arrived in the market; supplies are only expected to recede from now onwards, according to Indian Cotton Mills Federation. Meanwhile, the overall cotton consumption by the domestic textile mills is likely to touch 218-220 lakh bales or about 20% higher than last year's consumption. However the Cotton Advisory Board was set the target of 202 lakh bales. All major textile mills have stocked up to 90% of their cotton requirements for the year.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to mostly up on Thursday as March cotton futures increased sharply in an abbreviated but heavily traded session, due to orders to buy March and sell May. March cotton soared 189 points to settle at 53.65 cents a pound, and May added 48 points to settle at 52.23 cents. Cotlook Cotton indexes remained lower on Thursday. North Europe A Index (2006-07 Crop) down by 45 points at 58.30 cents/pound while North Europe B Index (2006-07 Crop) slipped 65 points at 56.10 cents/pound. Far Eastern A Index (2006-07 Crop) lost 35 points at 56.95 cents/pound.

FUTURES MARKETS:

MCX Kapas futures traded rangebound with slight weak Friday amidst lack of buying support at upper level. NYBOT remained up Thursday, which is likely to provided underlying support. Market opened strong and traded within thin range. Most active April contract lost Rs.0.10 at Rs.425.50 after firm opening at Rs.426.50 and moved within Rs.424.90-426.70. NCDEX most active April contract slid Rs.0.90 at Rs.426.70 after steady opening at Rs.427.50 and traded between Rs.426-427.60.

PRICE DRIVERS:

1. Steady demand from the local mills and exporters
2. Weakness in arrivals; Expectation of higher export demand

WEATHER:

Out of season crop.

TECHNICALS:

Candlestick hints slight bearish market for the next trading day. %K-line moving down after made bearish cut with %D line at overbought region, hints technical weakness. Prices closed above 9-day and 18-day EMA, indicating bullish market for medium term but MACD indicates steady market for medium term. Open interest increased but volume of trade decreased. Kapas is likely to trade rangebound after a 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	422	418	425.50	428	431

TRADE RECOMMENDATION (INTRADAY)

Buy above 422.50 with target towards 426, second target near 429. Put stop loss below 420.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	424	420	427.40	430	433

TRADE RECOMMENDATION (INTRADAY)

Buy above 424.50 with target towards 428, second target near 430. Put stop loss below 422.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	16.02.07	15.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1755	1755	-
Muktsar-Punjab	J-34	Rs./Maund	1795	1790	+5.00
Abohar- Punjab	J-34	Rs./Maund	1760	1760	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1690	1685	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18800	18200-18700	+300.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14100-14500	14000-14500	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18400-18600	18300-18500	+100.00
Maharashtra	Y-1	Rs./Candy	16600-16800	16600-16800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18400-18600	18300-18500	+100.00
Madhya Pradesh	Y-1	Rs./Candy	16500-16800	16500-16800	-

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