

## COTTON DAILY

3<sup>rd</sup> FEBRUARY, 2007

### SPOT MARKETS:

Cotton prices continued to move up in the North Indian market on fabulous demand from the local mills and exporters. The bullish trend of prices in the futures market also aggravated the situation. In addition to, weakness in arrivals created a supply squeeze in the market. Arrivals in the key market Gujarat dropped to 35,000 bales on Friday over the past few days from about 60,000 bales. Local textile mills are stocking cotton at the current price levels. Export deals have also been fast so far, with most cotton being exported to China. It is expected that India's cotton exports would touch 5 million bales in the 2006-07 cotton marketing year as compared to 4.7 million bales in 2005-06, due to higher production. Cotton prices are likely to increase until end March, when China is expected to enter the international market to buy cotton in a big way. On Friday, Shankar-6 (28mm) quoted steady at Rs.17700-18100/candy in Gujarat. J-34 climbed again and registered up at Rs.1625-1705/maund with average arrivals of 6,000 bales in Haryana. In Punjab, it was quoted up at Rs.1685-1770/maund with reduced arrivals of 7,000 bales. The total arrivals remained at 1,05,000 bales (approx) in the country. The ICAC estimated the world cotton production up by 3% to 25.3 MMt in 2006-07 over last year. Consumption is pegged at 25.9 MMt, up 4% from last year. Exports for 2006-07 are expected to decline in most large exporting countries, including the U.S., Uzbekistan, Brazil and Australia, while India's exports are seen rising as it unloads a bumper crop.

### INTERNATIONAL MARKET:

NYBOT cotton futures moved down Thursday amidst commercial selling near the highs, spread trading and bearish option plays. Most-active March slipped 43 points to settle at 53.57 cents a pound, while May slid 54 points to 54.57 cents. The Cotlook Cotton indexes moved up Thursday. North Europe A Index surged by 30 points to 59.80 cents/pound. North Europe B Index gained 25 points to 56.90 cents/pound. Far Eastern A Index was up by 35 points to 58.40 cents/pound.

### FUTURES MARKETS:

MCX Kapas futures soared after strong opening Friday, triggered by strong speculative buying and bullish spot prices. NYBOT remained down, which is not likely to have any impact on the futures market. Market opened firm and made a new contract high. Most active April contract climbed Rs.6.80 at Rs.411.90 after strong opening at Rs.406.50 and hovered between Rs.406.50-412. NCDEX most active April contract surged Rs.6.10 at Rs.412.40 following firm opening at Rs.409.50 and moved between Rs.408-413.50.

### PRICE DRIVERS:

1. Fabulous demand from the local mills and exporters
2. Speculation of new export deal; Stockists buying
3. China likely to enter the market to buy cotton in a big way
4. Bearish trend of cotton arrivals

### WEATHER:

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

### TECHNICALS:

Candlesticks hints bullish market for the next trading day. %K-line moving up after made bullish cut with %D line at mostly overbought region, hinting upward market with technical weakness. Prices closed far above 9-day and 18-day EMA, suggesting strong market for medium term and MACD also hinting bullish market for medium term. Open interest as well as volume of trade significantly increased. Kapas is likely to remain up 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	408	404	411.90	414	417

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 414 with target towards 411, second target near 408. Put stop loss above 416.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	409	406	412.40	415	418

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 415 with target towards 412, second target near 409. Put stop loss above 417.

# VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	2.02.07	1.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1645	1640	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1760	1745	+15.00
Abohar- Punjab	J-34	Rs./Maund	1710	1695	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1625	1625	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17700-18100	17700-18100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13500-14000	13500-14000	-
Maharashtra	Mech-I-29mm	Rs./Candy	17400-17600	17300-17500	+100.00
Maharashtra	Y-1	Rs./Candy	15500-15800	15400-15800	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17500-17600	17500-17600	-
Madhya Pradesh	Y-1	Rs./Candy	15700-15800	15400-15800	+300.00

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