

COTTON DAILY

20th FEBRUARY, 2007

SPOT MARKETS:

Cotton prices soared on Monday in Gujarat, M.P. and Maharashtra market on expectation of lower cotton production than earlier estimation coupled with rising demand in lint and seed cotton varieties. Prices also edged up in North India on fresh demand from mills and exporters. Traders said, with the biggest customer of cotton, China is now turning to India and other countries for its supply and it is fuelling spot prices. Weakness in arrivals are also creating supply squeeze in the local market. Arrivals remained steady over last day in Gujarat market, around 30,000 bales. On Monday, Shankar-6 (28mm) quoted mostly up at Rs.18700-19200/candy in Gujarat. J-34 registered up at Rs.1710-1770/maund on lower arrivals of 2,000 bales in Haryana. In Punjab, it climbed and traded at Rs.1770-1800/maund with average intakes of 3,000 bales. Decreasing of arrivals has raised a question about the cotton crop- will it reach the Cotton Advisory Board's (CAB) estimate of 27 million bales? This is a question that is heavily on traders' minds worldwide. 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 70,000 bales approximately, down from 110,000-115,000 bales at the beginning of this month. 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 remained closed on Saturday. Cotlook Cotton indexes increased Friday. North Europe A Index (2006-07 Crop) gained 40 points at 58.70 cents/pound while North Europe B Index (2006-07 Crop) increased 15 points at 56.25 cents/pound. Far Eastern A Index (2006-07 Crop) was up 40 points at 57.35 cents/pound. For the week, North Europe A Index unchanged, the North Europe B Index 35 points down and the Far Eastern A Index remained flat.

FUTURES MARKETS:

MCX Kapas futures skyrocketed Monday as spec buying on expectation of lower production and strong spot prices. Market gradually increased after firm opening and made a new contract high. Most active April contract climbed Rs.6.70 at Rs.433.80 after firm opening at Rs.427.50 and traded at Rs.427.50-433.90. NCDEX most active April contract surged Rs.6.70 at Rs.434.80 after firm opening at Rs.428.80 and hovered at Rs.428.80-435.

PRICE DRIVERS:

1. Expectation of lower production; Weakness in arrivals
2. China turning to India for its supply; Rising demand

WEATHER:

Out of season crop.

TECHNICALS:

Candlestick favours the bulls for the next trading day. %K-line continues to move up and remains above %D line at mostly overbought region, hints bullish market, but technical reversal near. Prices closed far above 9-day and 18-day EMA, favours the bulls for medium term but MACD indicates steady market for medium term. Open interest decreased but volume of trade significantly increased. Kapas is likely to hover up after a 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	430	427	433.80	437	440

TRADE RECOMMENDATION (INTRADAY)

Buy above 432 with target towards 436, second target near 438. Put stop loss below 429.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	431	428	434.80	438	441

TRADE RECOMMENDATION (INTRADAY)

Buy above 433 with target towards 437, second target near 439. Put stop loss below 430.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	19.02.07	17.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1765	1755	+5.00
Muksar-Punjab	J-34	Rs./Maund	1795	1790	+5.00
Abohar- Punjab	J-34	Rs./Maund	1770	1760	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1700	1690	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18700-19200	18300-19000	+400.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14300-14800	14100-14500	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	18900-19000	18300-18500	+600.00
Maharashtra	Y-1	Rs./Candy	17000-17300	16600-16800	+400.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19000	18300-18500	+600.00
Madhya Pradesh	Y-1	Rs./Candy	17000-17400	16600-16800	+400.00

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