

## COTTON DAILY

9<sup>th</sup> FEBRUARY, 2007

### SPOT MARKETS:

Cotton prices tumbled on Thursday at most of the trading centre amidst lack of buying support at higher level of prices from the local mills and exporters. However the arrivals remained unchanged at 85,000 bales in the country. According to trade sources, about 65% of the cotton crop has already reached in the market and rest of the cotton crops are hoarding by the growers. Recent bullish trend of cotton prices was observed as merchants and mills took up available supplies in expectation of additional Chinese import demand. A delegation from China is currently visited to Gujarat to study cotton cultivation and ginning facilities here, which was sparked the cotton prices, trader said. The Chinese government yet to be released quota to increase cotton exports and therefore many cotton producers are now sitting on their stocks in India. But at present, the local textile mills are facing a problem due to higher cotton prices, as yarn sales have been sluggish over the past few weeks and mills are facing difficulties in financing their purchases of raw materials. On Thursday, Shankar-6 (28mm) registered down at Rs.18000-18300/candy in Gujarat despite lower arrivals of 35,000 bales. J-34 slipped and traded at Rs.1675-1725/maund with average arrivals of 4,500 bales in Haryana. In Punjab, it was quoted mostly down at Rs.1710-1790/maund with lower arrivals of 7,000 bales. Traders are expecting that the prices will go up in near future due to weakness in arrivals.

### INTERNATIONAL MARKET:

NYBOT cotton futures extended previous weakness on Wednesday and hit a 3 1/2-week low of 52.95 cents a pound amidst local and speculative selling. Most-active March slipped 67 points to settle at 53 cents, and May slid 61 points to 53.72 cents. Cotlook Cotton indexes tumbled down on Wednesday. North Europe A Index (2006-07 Crop) slipped by 40 points at 59.95 cents/pound while North Europe B Index (2006-07 Crop) declined by 50 points at 57.25 cents/pound. Far Eastern A Index (2006-07 Crop) lost 35 points at 58.55 cents/pound. In China, average inland price was at 12,956 yuan/ton. Xinjiang prices remain stuck at the 12,675 yuan/ton mark.

### FUTURES MARKETS:

MCX Kapas futures rebounded to up Thursday amidst speculative buying at lower level. NYBOT remained down Wednesday, which is likely to have bearish impact at early hour. Market traded weak after weak opening at early hour but recovered thereafter. Most active April contract gained Rs.6 at Rs.419 after weak opening at Rs.411.80 and traded at Rs.411.30-419. NCDEX most active April contract climbed Rs.5.60 at Rs.419.90 after bearish opening at Rs.412.80 and moved at Rs.412.10-420.

### PRICE DRIVERS:

1. Weak demand from the local mills and exporters
2. Bearish trend of arrivals; Stocks hoarding by the growers
3. Expectation of additional Chinese import demand

### WEATHER:

Out of season crop.

### TECHNICALS:

Candlesticks suggests bullish market for the next trading day. %K-line prevails below %D line at neutral region, indicates steady to upward market. Prices closed above 9-day and 18-day EMA, indicating firm market for medium term and MACD also pointing bullish market for medium term. Open interest as well as volume of trade slightly declined. Kapas is likely to remain strong after a 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	416	412	419	423	427

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 418 with target towards 422, second target near 425. Put stop loss below 415.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	417	413	419.90	423	427

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 418.50 with target towards 423, second target near 425. Put stop loss below 415.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	8.02.07	7.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1735	1740	-5.00
Muksar-Punjab	J-34	Rs./Maund	1780	1795	-15.00
Abohar- Punjab	J-34	Rs./Maund	1755	1770	-15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1670	1690	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18000-18300	18200-18500	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13500-14000	13600-14000	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	17800-18200	18000-18300	-200.00
Maharashtra	Y-1	Rs./Candy	16500-16600	16600-16700	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17800-18100	18000-18300	-200.00
Madhya Pradesh	Y-1	Rs./Candy	16500-16600	16600-16800	-100.00

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