

COTTON DAILY

16th FEBRUARY, 2007

SPOT MARKETS:

Cotton prices improved Thursday in Gujarat market in spite of stable demand from the local mills and exporters. Restriction in arrivals kept pressure in prices. Arrivals were only nominal in Gujarat market. Other market witnessed steady sentiment due to dull demand and improved arrivals. Cotton inflow in north Indian markets is likely to boost following improved weather conditions in the entire belt. The arrival was seen to decline recently due to unseasonal rainfall. The total arrivals improved at 75,000 bales in the country. On Thursday, Shankar-6 (28mm) quoted up at Rs.18200-18700/candy in Gujarat on average arrivals of 30,000 bales. However J-34 traded steady at Rs.1690-1755/maund with improved arrivals of 1,500 bales in Haryana. In Punjab, it quoted stable at Rs.1720-1795/maund with average intakes of 2,000 bales. Heavy rains have slowed cotton arrivals to the ports and the mills, as mills attempt to replenish stocks 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. Arrivals have also been hindered in the run-up to provincial elections in Punjab, a major cotton producing province in northern India. 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.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled down Wednesday amidst speculative, fund and local selling. March cotton lost 83 points to settle at 51.76 cents a pound, and May slid 100 points to 51.75 cents. Cotlook Cotton indexes remained flat on Wednesday. North Europe A Index (2006-07 Crop) remained unchanged at 58.75 cents/pound while North Europe B Index (2006-07 Crop) was flat at 56.75 cents/pound. Far Eastern A Index (2006-07 Crop) was unchanged 35 points at 57.30 cents/pound. Cotton prices remained higher due to improved offtake throughout the trading week in China. Inland average closed up 16-20 to 12,977 yuan/ton while Xinjiang's average price was up 11 to 12,686 yuan/ton.

FUTURES MARKETS:

MCX Kapas futures recovered at late hour of trading Thursday amidst strong buying support at lower level. NYBOT tumbled Wednesday, which is likely to have bearish impact at early hour. Market opened weak and traded bearish but hovered up at last hour. Most active April contract gained Rs.0.20 at Rs.425.50 after weak opening at Rs.424 and moved at Rs.422-426. NCDEX most active April contract gained Rs.0.40 at Rs.427.40 after weak opening at Rs.425.40 and traded between Rs.423.90-428.

PRICE DRIVERS:

1. Steady demand from the local mills and exporters
2. Weakness in arrivals; Expectation of higher export demand
3. Strong international market aspect

WEATHER:

Out of season crop.

TECHNICALS:

Candlestick hints slight upward market for the next trading day. %K-line moving down after bearish cut with %D line at overbought region, hints technical weakness. Prices closed above 9-day and 18-day EMA, suggesting strong market for medium term but MACD indicates steady market for medium term. Open interest increased but volume of trade decreased. Kapas is likely to remain up after a steady to weak 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	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	15.02.07	14.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1755	1755	-
Muksar-Punjab	J-34	Rs./Maund	1790	1790	-
Abohar- Punjab	J-34	Rs./Maund	1760	1760	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1685	1685	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18200-18700	18100-18600	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14000-14500	13900-14500	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18300-18500	18300-18500	-
Maharashtra	Y-1	Rs./Candy	16600-16800	16600-16800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18300-18500	18300-18500	-
Madhya Pradesh	Y-1	Rs./Candy	16500-16800	16500-16800	-

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