

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices were steady to lower at most of the trading point on Monday amidst limited arrivals and scattered trade volumes. However lower off-take by the mills and exporters restricted the upward movement. Cotton trade observed stable in Gujarat, M.P. and Maharashtra but it got down in North Indian market. Traders said, arrivals of around 4-lakh ganth of imported cotton in Gujarat, were the main bearish factor for the downward movement. Lower cotton production as against of earlier estimates, decline in market arrivals and other factors are providing underlying support to the market. However, traders are expected that cotton prices would stabilise at Rs.19,500-20,000/quintal but cotton bought from mills may push up prices. Cotton production is expected to be around 255-260 lakh bales during the season, as per the trader's estimates. Meanwhile, traders are now eyeing on the upcoming annual budget and they want to see whether there are changes in policy and taxation-related issues for cotton textiles. The budget is to be presented on February 28 in parliament. Shankar-6 (28mm) quoted steady at Rs.18800-19100/candy in Gujarat with average intakes of 20,000 bales. J-34 traded down at Rs.1790-1850/maund with 3000 bales of arrivals in Haryana. In Punjab, it quoted down at Rs.1840-1875/maund on slight higher arrivals of 5,500 bales. Total arrivals were expected to be around 65,000 bales in the country. Besides, many textile groups in Pakistan are trying to import cotton from India despite higher prices due to its better quality and comparatively more finished product in terms of weight. Therefore they have placed huge orders.

### INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. In Pakistan, the activity in the Karachi cotton market remained thin on Saturday as spinners exhibited no interest in fresh deals, according to sources. The KCA official spot rate remained unchanged at Rs 2,525/maund, without upcountry expenses. Consumers lingered for PCGA's report and prices to come down, which was not there. Cotlook Cotton indexes remained strong. North Europe A Index (2006-07 Crop) was up by 55 points at 59.45 cents/pound while North Europe B Index (2006-07 Crop) gained 40 point at 57.00 cents/pound. Far Eastern A Index (2006-07 Crop) added 60 points at 58.25 cents/pound.

### FUTURES MARKETS:

MCX Kapas futures maintained bearish trend Monday on continued selling pressure due to upcoming budget. Market traded firm after firm opening at early hour on profit taking but tumbled thereafter. Most active April contract slipped Rs.1.80 at Rs.419.90 after strong opening at Rs.422 and traded between Rs.418.40-423.60. NCDEX most active April contract slid Rs.2.80 at Rs.420.10 after strong opening at Rs.424 and moved between Rs.419.60-424.90.

### PRICE DRIVERS:

1. Limited off-take by the mills; Limited arrivals
2. Arrivals of imported cotton; Upcoming budget

### WEATHER:

Out of season crop.

### TECHNICALS:

Candlestick favours the bears for the next trading day. %K-line going down and remains below %D line at overbought region, hints technical buying. Prices closed just below 9-day and 18-day EMA, favours the bears for medium term and MACD also hints bearish market for medium term. Open interest as well as volume of trade significantly increased. Kapas is likely to trade bearish after firm 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	416	414	419.90	422	424

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 421 with target towards 418, second target near 416.50. Put stop loss above 423.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	417	415	420.10	423	425

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 422 with target towards 419, second target near 417. Put stop loss above 424.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	26.02.07	24.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1840	1850	-10.00
Muksar-Punjab	J-34	Rs./Maund	1855	1865	-10.00
Abohar- Punjab	J-34	Rs./Maund	1845	1850	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1755	1765	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18800-19100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14300-14900	14400-15000	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18400-18900	18500-19000	-100.00
Maharashtra	Y-1	Rs./Candy	17500-17700	17500-17700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19200	18900-19200	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

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