

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices skyrocketed on Tuesday in major markets of the country owing to fabulous demands from the local mills and exporters. In addition to, weakness in arrivals created a supply squeeze in the market. A delegation from China is currently visited to Gujarat to study cotton cultivation and ginning facilities here, which sparked the cotton prices, trader said. They reported that Gujarat has great potential for bilateral business due to availability of quality raw material. Therefore local textile mills are creating stocks at the current price levels. Gujarat, which is the most preferred cotton hubs in India that regularly supplies fine quality cotton to the Chinese textile industry. However the Chinese government yet to be released quota to increase cotton exports and therefore many cotton producers are now sitting on their stocks. At present, State's cotton exporters are sitting on an estimated stock of 4 lakh bales for the last three months, waiting for the government to release the quota. However, yarn production in China was remained around 17.4 MMt in 2006, the growth rate was about 20%, and therefore domestic demand for cotton was huge. It is expected that the supply and demand gap in cotton market would be large in this year, and therefore 30% of domestic requirement will be fulfilled by imports. On Tuesday, Shankar-6 (28mm) quoted up at Rs.18300-18600/candy in Gujarat on reduced arrivals of 40,000 bales. J-34 hovered up and traded at Rs.1650-1730/maund with average arrivals of 5,000 bales in Haryana. In Punjab, it was quoted mostly up at Rs.1705-1790/maund with arrivals of 8,000 bales. The total arrivals declined to 95,000 bales (approx) in the country.

### INTERNATIONAL MARKET:

NYBOT cotton futures hovered up Monday on speculative and fund buying coupled with moderately bullish 2007 planting estimate. Most active March cotton surged 74 points to settle at 54.63 cents a pound, while May gained 46 points to 55.33 cents. Cotlook Cotton indexes increased Monday. North Europe A Index up 40 points at 59.80 cents/pound. North Europe B Index gained 50 points to 57.15 cents/pound. Far Eastern A Index was up by 40 points at 58.40 cents/pound.

### FUTURES MARKETS:

MCX Kapas futures slipped Tuesday amidst profit booking, which induced selling pressure at higher level. Market hovered up after weak opening but settled down at late hour on lack of buying support. Most active April contract lost Rs.1.90 at Rs.416.70 after weak opening at Rs.418.50 and hovered between Rs.416-421.70. NCDEX most active April contract slipped Rs.1.90 at Rs.417.20 following weak opening at Rs.418 and traded between Rs.416.80-422.10.

### PRICE DRIVERS:

1. Strong demand from the local mills and exporters
2. Speculation of new export deal with China & Pakistan
3. Weakness in arrivals; Stocks hoarding

### WEATHER:

Harvesting is almost completed. So, there is no impact of weather on the crop.

### TECHNICALS:

Candlesticks suggest bearish market for the next trading day. %K-line moving down after made a bearish cut with %D line at overbought region, hints technical weakness. Prices closed far above 9-day and 18-day EMA, indicating bullish market for medium term and MACD also pointing strong market for medium term. Open interest as well as volume of trade significantly decreased. Kapas is likely to move down following a steady to weak 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	413	410	416.70	419	422

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 419 with target towards 415, second target near 412. Put stop loss above 421.50.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	414	411	417.20	420	423

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 420 with target towards 416, second target near 413. Put stop loss above 422.50.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	6.02.07	5.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1680	1660	+20.00
Muksar-Punjab	J-34	Rs./Maund	1780	1770	+10.00
Abohar- Punjab	J-34	Rs./Maund	1740	1720	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1660	1635	+25.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18300-18600	18200-18500	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13600-14000	13600-14000	-
Maharashtra	Mech-I-29mm	Rs./Candy	18000-18300	17400-17600	+600.00
Maharashtra	Y-1	Rs./Candy	15600-15700	15500-15800	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18000-18300	17500-17600	+500.00
Madhya Pradesh	Y-1	Rs./Candy	15700-15800	15700-15800	-

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