

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices climbed in North Indian market Wednesday but it remained steady to slight down in the other major markets. Daily average arrivals have reduced to 85,000 bales in the country. Demand from local mills and exporters witnesses strong at that current price level. According to trade sources, about 65% of the cotton crop, which harvested in October and November, has already reached in the market and rest of the cotton crops are hoarding by the growers. Traders are expecting that the prices will go up in near future due to weakness in arrivals. However 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. In addition to, a delegation from China is currently visited to Gujarat to study cotton cultivation and ginning facilities here, which sparked the cotton prices, trader said. However 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. At present, Gujarat'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. On Wednesday, Shankar-6 (28mm) quoted slight down at Rs.18200-18500/candy in Gujarat on higher arrivals of 45,000 bales. J-34 climbed and traded at Rs.1680-1760/maund with average arrivals of 4,500 bales in Haryana. In Punjab, it was quoted mostly up at Rs.1725-1805/maund with arrivals of 8,000 bales. The total arrivals reduced to bales (approx) in the country.

### INTERNATIONAL MARKET:

NYBOT cotton futures tumbled Tuesday amidst late selling pressure. Most-active March slipped 96 points to settle at 53.67 cents, and May slid 100 points to 54.33 cents. In China, the cotton prices remained slight weak. The average inland price slipped to 12,956 yuan/ton. Xinjiang prices remain stuck at the 12,675 yuan/ton mark. There was no big news to support the market. Rumors of another round of import quota allocation as well as another batch of state reserve purchases continue to hang over the market.

### FUTURES MARKETS:

MCX Kapas futures extended earlier loses on Wednesday on selling pressure due to profit taking. NYBOT remained down Tuesday, which is likely to have bearish impact. Market traded weak throughout the session after mostly weak opening. Most active April contract slipped Rs.3.20 at Rs.413.20 after weak opening at Rs.415.10 and traded between Rs.412-416.40. NCDEX most active April contract lost Rs.3.10 at Rs.414.30 after weak opening at Rs.415.80 and traded at Rs.413.10-417.90.

### PRICE DRIVERS:

1. Brisk demand from the local mills and exporters
2. Bearish trend of arrivals; Stocks hoarding by the growers
3. Higher demand from international market

### WEATHER:

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

### TECHNICALS:

Candlesticks hints downward market for the next trading day. %K-line moving down and prevails below %D line at overbought region, indicates technical weakness continues. Prices closed far above 9-day and 18-day EMA, hinting strong market for medium term and MACD also pointing bullish market for medium term. Open interest decreased but volume of trade remains steady. Kapas is likely to remain bearish after 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	409	406	413.20	415	418

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 414 with target towards 411, second target near 408. Put stop loss above 416.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	411	408	414.30	416	419

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 415 with target towards 412, second target near 409. Put stop loss above 417.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	7.02.07	6.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1740	1680	+60.00
Muksar-Punjab	J-34	Rs./Maund	1795	1780	+15.00
Abohar- Punjab	J-34	Rs./Maund	1770	1740	+30.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1690	1660	+30.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18200-18500	18300-18600	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13600-14000	13600-14000	-
Maharashtra	Mech-I-29mm	Rs./Candy	18000-18300	18000-18300	-
Maharashtra	Y-1	Rs./Candy	16600-16700	16600-16700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18000-18300	18000-18300	-
Madhya Pradesh	Y-1	Rs./Candy	16600-16800	16700-16800	-100.00

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