

## COTTON DAILY

21<sup>st</sup> FEBRUARY, 2007

### SPOT MARKETS:

Domestic cotton prices are seen hovering up Tuesday amidst worries of reduced production than earlier estimation during this season. Therefore falling arrival and growing demand are pushing cotton prices to mostly up. Cotton production is estimated to decline in the wake of heavy rainfall in Gujarat. However the cotton production was forecasted to be more than Rs.102 crore bales at the onset of the cotton season. Market players are estimated that the production would reach to Rs.75-80 lakh bales in this current season, out of which nearly Rs.55 lakh bales have already reached in the market. Besides, with the biggest customer of cotton, China is now turning to India and other countries for its supply and it is fuelling spot prices. Weakness in arrivals are also creating supply squeeze in the local market. At present, the daily average arrivals of cotton in the country reduced to 65,000 bales approximately, down from 110,000-115,000 bales at the beginning of this month. Arrivals remained steady over last day in Gujarat market, around 30,000 bales. On Tuesday, Shankar-6 (28mm) quoted mostly up at Rs.19000-19500/candy in Gujarat. J-34 traded up at Rs.1715-1790/maund on reduced arrivals of 2,000 bales in Haryana. In Punjab, it soared and traded at Rs.1785-1815/maund with average intakes of 3,500 bales. In addition to, impressed by its better quality, many textile groups in Pakistan are trying to import cotton from India despite high prices. Its better quality and comparatively more finished product in terms of weight make it attractive for the Pakistani textile industry. Therefore they have placed huge orders. However the Pakistan Cotton Ginners Association (PCGA) has opposed the APTMA's bid to import lint cotton from India. According to the Chairman of PCGA, the APTMA's only purpose is to control the domestic market, which has boosted up the local prices of lint in Pakistan.

### INTERNATIONAL MARKET:

In Pakistan, the cotton prices plunged Monday in Karachi market on expectations of better production and sizeable imports. The Karachi Cotton Association (KCA) official spot rate slipped Rs.25 at Rs.2,500/maund. Cotlook Cotton indexes remained up Monday. North Europe A Index (2006-07 Crop) gained 5 points at 58.75 cents/pound while North Europe B Index (2006-07 Crop) surged 10 points at 56.35 cents/pound. Far Eastern A Index (2006-07 Crop) gained 5 points at 57.40 cents/pound.

### FUTURES MARKETS:

MCX Kapas futures retreated on technical selling amidst overbought market. Market opened firm and made new contract high but fell down thereafter. Most active April contract slipped Rs.2.30 at Rs.431.10 after firm opening at Rs.433.60 and hovered at Rs.429-434.90. NCDEX most active April contract lost Rs.1.90 at Rs.432.40 after strong opening at Rs.435 and traded at Rs.430.70-435.

### PRICE DRIVERS:

1. Expectation of lower production; Weakness in arrivals
2. Good demand from China & Pakistan; Rising demand

### WEATHER:

Out of season crop.

### TECHNICALS:

Candlestick favours the bears for the next trading day. %K-line moving down after made bearish cut with %D line at overbought region, hints bearish market. Prices closed far above 9-day and 18-day EMA, favours the bulls for medium term but MACD indicates steady market for medium term. Open interest as well as volume of trade significantly decreased. Kapas is likely to remain down after steady to strong 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	427	424	431.10	433	435

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 428 with target towards 431, second target near 433. Put stop loss below 426.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	428	425	432.40	435	437

### TRADE RECOMMENDATION (INTRADAY)

**Buy** above 429 with target towards 432, second target near 434. Put stop loss below 427.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	20.02.07	19.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1785	1765	+20.00
Muksar-Punjab	J-34	Rs./Maund	1805	1795	+10.00
Abohar- Punjab	J-34	Rs./Maund	1785	1770	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1715	1700	+15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19000-19500	18700-19200	+300.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14500-15000	14300-14800	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	18900-19100	18900-19000	-
Maharashtra	Y-1	Rs./Candy	17300-17500	17000-17300	+300.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19000	18900-19000	-
Madhya Pradesh	Y-1	Rs./Candy	17300-17500	17000-17400	+300.00

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