

COTTON DAILY

2nd FEBRUARY, 2007

SPOT MARKETS:

Robust demand from the local mills and exporters propped up the cotton prices in North India and Gujarat market. The strong futures market also triggered the prices, traders said. However absence of fresh deals at higher price levels kept cotton prices static in M.P. and Maharashtra. Meanwhile, drop in cotton arrivals in local markets created a supply squeeze. Arrivals in the key market Gujarat slipped to 35,000 bales on Thursday over the past few days from about 60,000 bales. Local textile mills are stocking cotton at the current price levels. Export deals have also been fast so far, with most cotton being exported to China. Traders are expecting that India's cotton exports would reach 5 million bales in the 2006-07 cotton marketing year as compared to 4.7 million bales in 2005-06, due to higher production. They also reported that, cotton prices may hover up until end March, when China is anticipated to enter the international market to buy cotton in a big way. On Thursday, Shankar-6 (28mm) quoted steady at Rs.17700-18100/candy in Gujarat. J-34 soared and offered at Rs.1620-1690/maund with average arrivals of 5,000 bales in Haryana. In Punjab, it quoted up at Rs.1665-1750/maund with lower intake of 6,000 bales. The total arrivals reduced to 1,05,000 bales (approx) in the country.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Wednesday, triggered by trade buying, fund and speculative buying as well as bullish options trades. Most-active March contract climbed 65 points to settle at 54.00 cents/pound. May contract increased 66 points to settle at 55.11 cents. Cotton prices in China continued its sideways movement. Inland average lint price remained at 12,966 yuan/ton while Xinjiang's price continued to hang on to the 12,675 yuan/ton level. The Cotlook Cotton indexes remained down Wednesday. North Europe A Index slipped by 25 points at 59.50 cents/pound. North Europe B Index slid 20 points to 56.65 cents/pound. Far Eastern A Index was down by 30 points at 58.05 cents/pound.

FUTURES MARKETS:

MCX Kapas futures tumbled Thursday on profit taking and selling pressure at contract higher level. NYBOT remained up, which is likely to have bullish impact at early hour. Market opened strong and made new contract high level but fell down thereafter. Most active April contract slipped Rs.3.70 at Rs.405.10 after firm opening at Rs.409.80 and hovered between Rs.404.80-411. NCDEX most active April contract slid Rs.3.70 at Rs.406 following firm opening at Rs.410.80 and moved between Rs.406-411.

PRICE DRIVERS:

1. Strong buying support from the local mills and exporters
2. Some new fresh export deal; Stockists buying
3. China likely to enter the market to buy cotton in a big way
4. Decrease in arrivals

WEATHER:

Mostly dry weather favors the remaining harvest of cotton through central and south India at this time.

TECHNICALS:

Candlesticks indicates bearish market for the next trading day. %K-line remains below %D line at overbought region, hinting steady market with technical weakness. Prices closed far above 9-day and 18-day EMA, indicating strong market for medium term and MACD also indicates bullish market for medium term. Open interest increased but volume of trade significantly decreased. Kapas is expected to trade down after 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 | 402 | 398 | 405.10 | 408 | 413 |

TRADE RECOMMENDATION (INTRADAY)

Sell below 407 with target towards 404, second target near 401. Put stop loss above 409.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|-----|-----|-----|
| April | 404 | 400 | 406 | 408 | 412 |

TRADE RECOMMENDATION (INTRADAY)

Sell below 408 with target towards 405, second target near 402. Put stop loss above 410.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 1.02.07 | 31.01.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1640 | 1625 | +15.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 1745 | 1735 | +10.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 1695 | 1685 | +10.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1625 | 1610 | +15.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 17700-18100 | 17700-18100 | - |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 13500-14000 | 13100-13500 | +400.00 |
| Maharashtra | Mech-I-29mm | Rs./Candy | 17300-17500 | 17300-17500 | - |
| Maharashtra | Y-1 | Rs./Candy | 15400-15800 | 15400-15800 | - |
| Madhya Pradesh | Mech-I-29mm | Rs./Candy | 17500-17600 | 17500-17600 | - |
| Madhya Pradesh | Y-1 | Rs./Candy | 15400-15800 | 15400-15800 | - |

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