

COTTON DAILY

22nd FEBRUARY, 2007

SPOT MARKETS:

Cotton prices continued to maintain bullish tone on Wednesday amidst strong buying support from the mills and exporters due to worries of reduced production than earlier estimation during this season. Therefore reduced arrivals added to bullish tone. At present, the daily average arrivals of cotton in the country reduced to 60,000 bales approximately, down from 110,000-115,000 bales at the beginning of this month. However in Gujarat, market exhibited consolidation at lower level of quotes as prices picked up, while no change was observed at the upper level of prices. Therefore prices tumbled slightly at last hour. Meanwhile, cotton production is estimated to decline in the wake of heavy rainfall in Gujarat. However the cotton production was forecasted to be more than 102 crore bales at the onset of the cotton season. Market players are estimated that the production would reach to 75-80 lakh bales in this current season, out of which nearly 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. Regarding arrivals, it remained weak as compared to last day in Gujarat market, around 20,000 bales. On Wednesday, Shankar-6 (28mm) quoted down at Rs.18800-19100/candy in Gujarat. J-34 climbed and traded at Rs.1770-1815/maund on average arrivals of 2,500 bales in Haryana. In Punjab, it soared and traded at Rs.1800-1835/maund despite improved arrivals of 4,500 bales. In addition to, many textile groups in Pakistan are trying to import cotton from India in spite of 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.

INTERNATIONAL MARKET:

On Tuesday, NYBOT cotton futures hovered up due to speculative and fund buying. March cotton surged 61 points to settle at 54.61 and May gained 23 points to 52.55 cents. In Pakistan, the prices strictly held their overnight levels in the cotton market. The Karachi Cotton Association (KCA) official spot rate remained flat at Rs 2,500/maund without upcountry expenses. Cotlook Cotton indexes remained unchanged. North Europe A Index (2006-07 Crop) unchanged at 58.75 cents/pound while North Europe B Index (2006-07 Crop) remained flat at 56.35 cents/pound. Far Eastern A Index (2006-07 Crop) unchanged at 57.40 cents/pound.

FUTURES MARKETS:

MCX Kapas futures traded bearish on Wednesday amidst continued selling pressure and profit taking. Market opened strong and traded bearish throughout the session. Most active April contract lost Rs.0.60 at Rs.430.40 after strong opening at Rs.432.40 and traded between Rs.429.90-433. NCDEX most active April contract slid Rs.0.70 at Rs.431.50 after firm opening at Rs.434.40 and remained between Rs.431-434.40.

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 hints bearish market for the next trading day. %K-line moving down after made bearish cut with %D line at overbought region, hints downward 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 remains almost steady but volume of trade significantly decreased. Kapas is expected to trade weak 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	425	430.40	433	435

TRADE RECOMMENDATION (INTRADAY)

Buy above 428.50 with target towards 431.50, second target near 434.50. Put stop loss below 426.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	428	426	431.50	434	436

TRADE RECOMMENDATION (INTRADAY)

Buy above 429.50 with target towards 432.50, second target near 435.50. Put stop loss below 427.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.02.07	20.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1810	1785	+25.00
Muksar-Punjab	J-34	Rs./Maund	1830	1805	+25.00
Abohar- Punjab	J-34	Rs./Maund	1805	1785	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1740	1715	+25.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19100	19000-19500	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14400-15000	14500-15000	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19200	18900-19100	+100.00
Maharashtra	Y-1	Rs./Candy	17300-17500	17300-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19200	18900-19000	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17300-17500	+100.00

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