

COTTON DAILY

3rd FEBRUARY, 2007

SPOT MARKETS:

Cotton maintained bullish trained Saturday also in the North Indian market on remarkable demand from the local mills and exporters. In addition to, weakness in arrivals created a supple squeeze in the market. Arrivals in the key market Haryana dropped to 5,000 bales on Saturday over the past few days from about 9,000 bales. Local textile mills are creating stocks at the current price levels. Besides, export deals have also been fast so far, with most cotton being exported to China. It is expected that India's cotton exports would touch 5 million bales in the 2006-07 cotton marketing year as compared to 4.7 million bales in 2005-06, due to higher production. On Saturday, Shankar-6 (28mm) quoted up at Rs.17900-18200/candy in Gujarat. J-34 continued to soaring and registered up at Rs.1630-1710/maund with reduced arrivals of 5,000 bales in Haryana. In Punjab, it was quoted up at Rs.1690-1770/maund with reduced arrivals of 7,000 bales. The total arrivals stood at 1,05,000 bales (approx) in the country. In addition to, General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ) has issued an administrative procedure for the registration of companies exporting cotton to China. Therefore new requirements for registration procedure will be open from March 1 - July 1, 2007 for suppliers. After July 1, unregistered exporters will not be able to ship cotton to China, and inspection of any shipments will be refused.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Friday due to speculative and fund buying in expectation of a somewhat strong planting intentions number to be released by the National Cotton Council. March cotton surged 32 points to settle at 53.89 cents, and May increased 30 points to 54.87 cents. The Cotlook Cotton indexes moved down Friday. North Europe A Index down 40 points at 59.40 cents/pound. North Europe B Index lost 25 points to 56.65 cents/pound. Far Eastern A Index was down by 40 points at 58.00 cents/pound.

FUTURES MARKETS:

MCX Kapas futures skyrocketed Saturday on speculative buying and fund buying. Strong spot prices in North India also added to bullish tone. NYBOT remained up, which is likely to have bullish impact on the futures market. Market went down after firm opening but recovered thereafter and made a new contract high. Most active April contract gained Rs.4.20 at Rs.415.80 after firm opening at Rs.414 and hovered between Rs.412.50-417. NCDEX most active April contract surged Rs.4.50 at Rs.416.80 following firm opening at Rs.412.90 and moved between Rs.412.90-418.20.

PRICE DRIVERS:

1. Fabulous demand from the local mills and exporters
2. Speculation of new export deal; Stockists buying
3. Bearish trend of cotton arrivals

WEATHER:

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

TECHNICALS:

Candlesticks indicating strong market for the next trading day. %K-line remains above %D line at mostly overbought region, hints steady market with technical weakness. Prices closed far above 9-day and 18-day EMA, indicating bullish market for medium term and MACD also hinting upward market for medium term. Open interest as well as volume of trade significantly decreased. Kapas is likely to trade strong after steady to strong opening with possibility of late downwards movement.

MCX Kapas April Contract-2007



SUPPORT / RESISTANCES:

MCX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	413	410	415.80	418	422

TRADE RECOMMENDATION (INTRADAY)

Sell below 418 with target towards 414, second target near 411. Put stop loss above 420.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	413	410	416.80	419	423

TRADE RECOMMENDATION (INTRADAY)

Sell below 419 with target towards 415, second target near 412. Put stop loss above 421.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	3.02.07	2.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1655	1645	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1765	1760	+5.00
Abohar- Punjab	J-34	Rs./Maund	1715	1710	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1630	1625	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	17900-18200	17700-18100	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13500-13900	13500-14000	-
Maharashtra	Mech-I-29mm	Rs./Candy	17400-17600	17400-17600	-
Maharashtra	Y-1	Rs./Candy	15500-15800	15500-15800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	17500-17600	17500-17600	-
Madhya Pradesh	Y-1	Rs./Candy	15700-15800	15700-15800	-

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