

COTTON DAILY

23rd FEBRUARY, 2007

SPOT MARKETS:

Indian cotton prices improved at most of the market in North India, Gujarat and Maharashtra on Thursday on stronger demands and limited supplies. The spurt demand from the ginners and mills are leading to escalation in prices, traders said. Main markets influencing factors are increased local consumption, higher export demand and limited imports to only high-quality cotton and restricted market arrivals. In addition to, expectation of lower production in Gujarat and North India are providing underline support to the market. At present, the daily average arrivals of cotton in the country reduced to 60,000 bales approximately. Meanwhile, traders are now eyeing on the upcoming annual budget and they want to see whether there are changes in policy and taxation-related issues for cotton textiles. The budget is to be presented on February 28 in parliament. Traders said, most mills are currently replenishing stocks while supplies have also begun to taper-off. The strong import demand from China, Bangladesh and Pakistan also added to bullish tone. Regarding arrivals, it remained strong as compared to last day in Gujarat market, around 30,000 bales. On Thursday, Shankar-6 (28mm) quoted up at Rs.19000-19300/candy in Gujarat. J-34 improved further and traded at Rs.1780-1820/maund on average arrivals of 2,500 bales in Haryana. In Punjab, it increased and traded at Rs.1805-1845/maund on good arrivals of 5,000 bales over last day. In addition to, many textile groups in Pakistan are trying to import cotton from India in spite of higher 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 Wednesday, NYBOT cotton futures settled with moderate gains amidst speculative and fund buying. Most-active May gained 1 point to settle at 52.56 cents a pound, and March increased 5 points to 54.66 cents. In Pakistan, the prices increased and KCA official spot rate gained Rs.25 at Rs 2,525/maund. Cotlook Cotton indexes remained strong. North Europe A Index (2006-07 Crop) gained 15 points at 58.90 cents/pound while North Europe B Index (2006-07 Crop) surged 5 point at 56.40 cents/pound. Far Eastern A Index (2006-07 Crop) increased 15 points at 57.55 cents/pound.

FUTURES MARKETS:

MCX Kapas futures continued to trade bearish Thursday amidst lack of buying support at upper level. Market opened mostly weak and traded bearish but some gains was observed at late hour. Most active April contract lost Rs.2.30 at Rs.428.20 after weak opening at Rs.428.80 and traded between Rs.426.50-430.20. NCDEX most active April contract slid Rs.1.80 at Rs.429.70 after weak opening at Rs.430 and moved between Rs.427-431.50.

PRICE DRIVERS:

1. Expectation of lower production; Restricted arrivals
2. Higher consumption; Limited imports & Upcoming budget

WEATHER:

Out of season crop.

TECHNICALS:

Candlestick hints slight upward market for the next trading day. %K-line remains below %D line at neutral region, hints bearish market. Prices closed just above 9-day and 18-day EMA, favours the bulls for medium term but MACD indicates steady to slight bearish market for medium term. Open interest increased but volume of trade remained steady. Kapas is likely to remain slight weak 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	426	424	428.20	430	433

TRADE RECOMMENDATION (INTRADAY)

Buy above 426 with target towards 429, second target near 432. Put stop loss below 424.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	427	425	429.70	431	434

TRADE RECOMMENDATION (INTRADAY)

Buy above 427.50 with target towards 430.50, second target near 433. Put stop loss below 425.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	22.02.07	21.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1820	1810	+10.00
Muksar-Punjab	J-34	Rs./Maund	1835	1830	+5.00
Abohar- Punjab	J-34	Rs./Maund	1820	1805	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1750	1740	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19000-19300	18800-19100	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14400-14500	14400-15000	-
Maharashtra	Mech-I-29mm	Rs./Candy	19100-19300	19000-19200	+100.00
Maharashtra	Y-1	Rs./Candy	17300-17500	17300-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19200	18900-19200	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

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