

COTTON DAILY

26th FEBRUARY, 2007

SPOT MARKETS:

Cotton prices maintained bullish tone at most of the market Saturday on stronger demands and limited supplies. The strong demand from the ginners and mills are leading to escalation in prices, traders said. However Shankar-6 prices tumbled on limited offtake by the mills due to import of around 4 lakh ganth cotton, trader said. Currently, the domestic cotton prices have been increasing towards international levels however it was lower as compared to international market price in just few months ago. Lower cotton production as against of earlier estimates, decline in market arrivals and other factors are supporting bullish trend in domestic cotton market, traders said. Presently domestic prices of cotton are being offered at Rs.19,000-19,500/candy whereas international prices were around Rs.22,000 crore due to 10% import duty. Traders are expected that cotton prices would stabilise at Rs.19,500-20,000 per quintal but cotton bought from mills may push up prices. Total production of cotton during the season is anticipated to be around 255-260 lakh bales, as per the trader's estimates. 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. On Saturday, Shankar-6 (28mm) quoted down at Rs.18900-19100/candy in Gujarat with average intakes of 20,000 bales. J-34 remained mostly strong and traded at Rs.1800-1860/maund with 2500 bales of arrivals in Haryana. In Punjab, it soared and traded at Rs.1850-1880/maund on slight higher arrivals of 5,000 bales.

INTERNATIONAL MARKET:

NYBOT cotton futures soared Friday amidst speculative buying and bullish options trades. Most active May rose 43 points to settle at 53.60 cents/pound and March gained 38 points to 55.33 cents. Cotton prices slipped on Friday in the Karachi market due to subdued business as most of the spinners still on the sidelines on expectation of falling trend in the rates. However the KCA official spot rate remained flat at Rs. 2,525, without upcountry expenses. Cotlook Cotton indexes remained strong. North Europe A Index (2006-07 Crop) was up by 55 points at 59.45 cents/pound while North Europe B Index (2006-07 Crop) gained 40 point at 57.00 cents/pound. Far Eastern A Index (2006-07 Crop) added 60 points at 58.25 cents/pound.

FUTURES MARKETS:

MCX Kapas futures continued to remain bearish Saturday on selling pressure due to upcoming budget. Market opened weak and tumbled thereafter. Most active April contract lost Rs.2.20 at Rs.421.70 after weak opening at Rs.423.20 and traded between Rs.420-423.90. NCDEX most active April contract slipped Rs.3.20 at Rs.422.60 after weak opening at Rs.425.20 and moved between Rs.422-425.20.

PRICE DRIVERS:

1. Limited offtake by the mills in Gujarat; Weak arrivals
2. Arrivals of imported cotton; Upcoming budget

WEATHER:

Out of season crop.

TECHNICALS:

Candlestick favours the bears for the next trading day. %K-line moving down and remains below %D line at neutral region, hints downward market. Prices closed in between 9-day and 18-day EMA, favours the bears for medium term and MACD hints bearish market for medium term. Open interest as well as volume of trade decreased. Kapas is expected to trade bearish after 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	418	416	421.70	423	426

TRADE RECOMMENDATION (INTRADAY)

Sell below 422.50 with target towards 419.50, second target near 417.50. Put stop loss above 424.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	419	417	422.60	425	427

TRADE RECOMMENDATION (INTRADAY)

Sell below 423 with target towards 420, second target near 418. Put stop loss above 425.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	24.02.07	23.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1850	1835	+15.00
Muksar-Punjab	J-34	Rs./Maund	1865	1850	+15.00
Abohar- Punjab	J-34	Rs./Maund	1850	1840	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1765	1760	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19100	18900-19100	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14400-15000	14200-14400	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	18500-19000	18700-19100	-200.00
Maharashtra	Y-1	Rs./Candy	17500-17700	17300-17500	+200.00
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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