

COTTON DAILY

6th FEBRUARY, 2007

SPOT MARKETS:

Cotton prices climbed on Monday in major markets of the Gujarat and remained almost steady to slight up in North India on back of buying support from the local mills and exporters. Besides, sluggish arrivals created a supply squeeze in the market. Local textile mills are creating stocks at the current price levels. As well, export deals have also been fast so far, with most cotton being exported to China. On Monday, Shankar-6 (28mm) quoted mostly up by Rs.300-400/candy at Rs.18200-18500/candy in Gujarat. J-34 increased slightly and registered at Rs.1635-1710/maund with average arrivals of 5,000 bales in Haryana. In Punjab, it was quoted almost steady at Rs.1690-1775/maund with reduced arrivals of 7,000 bales. The total arrivals stood at 1,05,000 bales (approx) in the country. Gujarat, which is the most preferred cotton hubs in India that regularly supplies fine quality cotton to the Chinese textile industry. However the Chinese government yet to be released quota to increase cotton exports and therefore many cotton producers in the northern part of the State and Saurashtra are now sitting on their stocks. At present, State's cotton exporters are sitting on an estimated stock of 4 lakh bales for the last three months, waiting for the government to release the quota. However, yarn production in China was remained around 17.4 MMt in 2006, the growth rate was about 20%, and therefore domestic demand for cotton was huge. It is expected that the supply and demand gap in cotton market would be large in this year, and therefore 30% of domestic requirement will be fulfilled by imports.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday. In Pakistan, cotton traded moderately down at the Karachi Cotton Market during the last week. The KCA spot rate tumbled Rs.25/maund on Thursday to Rs.2525/maund. The physical market prices ranged between Rs.2525-2650/maund. On Saturday, the spot rate remained at Rs.2525/maund. The quality lots fetched over Rs.2615/maund.

FUTURES MARKETS:

MCX Kapas futures traded firm on Monday but profit booking at contracts high level pulled down the prices. Market opened mostly up and hovered up after hitting a new contract high but selling pressure due to profit taking pulled down the prices. Most active April contract gained Rs.2.90 at Rs.418.70 after firm opening at Rs.417.30 and moved between Rs.417.30-423.90. NCDEX most active April contract increased Rs.2.90 at Rs.419.90 following firm opening at Rs.419.50 and moved between Rs.418.80-423 during Monday's trading.

PRICE DRIVERS:

1. Strong demand from the local mills and exporters
2. Speculation of new export deal with China & Pakistan
3. Weakness in arrivals
4. Stocks hoarding

WEATHER:

Almost dry weather with increasing in night temperature favors the remaining harvest of cotton through central and south India at this time.

TECHNICALS:

Candlesticks hints weak market for the next trading day. %K-line still remains above %D line at mostly overbought region, hints steady market with technical weakness. Prices closed far above 9-day and 18-day EMA, hinting strong market for medium term and MACD also suggesting bullish market for medium term. Open interest as well as volume of trade significantly increased. Kapas is expected to trade 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	416	413	418.70	422	426

TRADE RECOMMENDATION (INTRADAY)

Buy above 416 with target towards 420, second target near 423. Put stop loss below 414.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	417	414	419.90	422	425

TRADE RECOMMENDATION (INTRADAY)

Buy above 417 with target towards 421, second target near 424. Put stop loss below 415.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	5.02.07	3.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1660	1655	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1770	1765	+5.00
Abohar- Punjab	J-34	Rs./Maund	1720	1715	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1635	1630	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18200-18500	17900-18200	+300.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	13600-14000	13500-13900	+100.00
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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