

## COTTON DAILY

10<sup>th</sup> FEBRUARY, 2007

### SPOT MARKETS:

Owing to increased selling by the sellers, cotton prices moved back further at most of major spot market on Friday. Lack of buying support at higher level of prices from the local mills and exporters added to bearish tone. The arrivals remained slightly up at 95,000 bales in the country. Recent bullish trend of cotton prices was observed as merchants and mills took up available supplies in expectation of additional Chinese import demand. A delegation from China is currently visited to Gujarat to study cotton cultivation and ginning facilities here, which was sparked the cotton prices, trader said. But at present, the local textile mills are facing a problem due to higher cotton prices, as yarn sales have been sluggish over the past few weeks and mills are facing difficulties in financing their purchases of raw materials. Therefore the prices fell down, traders said. On Friday, Shankar-6 (28mm) quoted down at Rs.17800-18100/candy in Gujarat on increased arrivals of 40,000 bales. J-34 tumbled and traded at Rs.1660-1715/maund with average arrivals of 5,000 bales in Haryana. In Punjab, it offered down at Rs.1700-1775/maund with higher arrivals of 8,000 bales. However traders are expecting that the prices will go up in near future due to weakness in arrivals. In addition to, Indian exporters are dominating Hong Kong cotton imports. In 2006, India exported around 163,670 480-pound bales cotton in January-October.

### INTERNATIONAL MARKET:

NYBOT cotton futures continued to remain down on Thursday amidst speculative and fund sales and heavy options trade. March cotton slipped 59 points to settle at 52.41 cents a pound while May slid 78 points to 52.94 cents. However commercial scale-down buying and buying at the lows allowed prices to get back part of the early loss. Cotlook Cotton indexes remained weak on Thursday. North Europe A Index (2006-07 Crop) lost 70 points at 59.25 cents/pound while North Europe B Index (2006-07 Crop) declined by 35 points at 56.90 cents/pound. Far Eastern A Index (2006-07 Crop) lost 65 points at 57.90 cents/pound. In China, average inland price remained at 12,956 yuan/ton. Xinjiang prices remain stuck at the 12,675 yuan/ton mark.

### FUTURES MARKETS:

MCX Kapas futures tumbled on Friday on increased selling pressure at upper level amidst weak spot prices. NYBOT cotton futures continued to remain down on Thursday, which is likely to have bearish impact. Market traded up after firm opening at early hour but fell down thereafter. Most active April contract lost Rs.1.80 at Rs.416.40 after strong opening at Rs.419.60 and traded between Rs.414.80-421.40. NCDEX most active April contract slipped Rs.1.30 at Rs.417.90 after bullish opening at Rs.420.20 and hovered between Rs.415.90-422.20.

### PRICE DRIVERS:

1. Sluggish demand from the local mills and exporters
2. Increased selling pressure; Stocks hoarding by the growers
3. Weak international market price

### WEATHER:

Out of season crop.

### TECHNICALS:

Candlesticks hints bearish market for the next trading day. %K-line prevails below %D line at neutral region, indicates downward market. Prices closed above 9-day and 18-day EMA, suggesting upward market for medium term and MACD also pointing bullish market for medium term. Open interest significantly increased but volume of trade declined. Kapas is likely to remain weak after a 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 | 414 | 411 | 416.40 | 419 | 422 |

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 418 with target towards 415, second target near 413. Put stop loss above 420.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

| Month | S1  | S2  | PCP    | R1  | R2  |
|-------|-----|-----|--------|-----|-----|
| April | 415 | 412 | 417.90 | 420 | 423 |

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 419 with target towards 416, second target near 414. Put stop loss above 421.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets                   | Variety     | Units     | 9.02.07     | 8.02.07     | Change  |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana            | J-34        | Rs./Maund | 1725        | 1735        | -10.00  |
| Muksar-Punjab             | J-34        | Rs./Maund | 1770        | 1780        | -10.00  |
| Abohar- Punjab            | J-34        | Rs./Maund | 1745        | 1755        | -10.00  |
| Sri Ganganagar- Rajasthan | J-34        | Rs./Maund | 1655        | 1670        | -15.00  |
| Ahmedabad/Kadi - Gujarat  | S-6 28 mm   | Rs./Candy | 17800-18100 | 18000-18300 | -200.00 |
| Ahmedabad/Kadi - Gujarat  | V-797 Kapas | Rs./Candy | 13400-13800 | 13500-14000 | -100.00 |
| Maharashtra               | Mech-I-29mm | Rs./Candy | 17700-18100 | 17800-18200 | -100.00 |
| Maharashtra               | Y-1         | Rs./Candy | 16500-16600 | 16500-16600 | -       |
| Madhya Pradesh            | Mech-I-29mm | Rs./Candy | 17700-18000 | 17800-18100 | -100.00 |
| Madhya Pradesh            | Y-1         | Rs./Candy | 16500-16600 | 16500-16600 | -       |

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