

## COTTON DAILY

1<sup>st</sup> MARCH, 2007

### SPOT MARKETS:

Cotton prices increased Wednesday in North Indian market on bad weather, which restricted the market arrivals. The inflow declined seriously against the moderate demand from the mills and exporters. However, market sentiment for cotton prices observed steady to slight weak in the other markets. In the meantime, the ginners were unwilling to sell their unsold stock at the current prices as they were confident that short crop will help in increasing the prices in the coming days. Some mills continued routine buying of cotton according to their requirements. In addition to, in the Budget proposals for the year 2007-08 in the Lok Sabha, the Union Finance Minister enhanced the budgetary provision for various schemes in the textiles, handlooms and coir sectors. Customs duty on polyester is to be reduced from 10% to 7.5%. This budget did not affect the market sentiment much more. However, cotton production is expected to be around 255-260 lakh bales during the season, as per the trader's estimates. Shankar-6 (28mm) quoted slight down at Rs.18300-18700/candy in Gujarat with lower intakes of 20,000 bales. J-34 traded up at Rs.1800-1855/maund with 1000 bales of arrivals in Haryana. In Punjab, it quoted up at Rs.1845-1885/maund on lower arrivals of 2500 bales. Total arrivals were expected to be around 58,000 bales in the country. Besides, CCI's cotton export offering prices remained steady at higher level. Offering prices for H-4 styles was at near 58.50 FOB Mumbai Basis.

### INTERNATIONAL MARKET:

NYBOT cotton futures tumbled Tuesday amidst speculative selling and fund selling where many commodity and financial markets saw losses. Most-active May cotton slipped 74 points to settle at 53.06 cents a pound, up from the day's low of 52.70 cent. In Pakistan, the official spot rate got up on the cotton market Tuesday because both the buyers and sellers grabbed the cautious attitude ahead of the PCGA report. KCA official spot rate has increased by Rs.25 to Rs.2,550/maund, without upcountry expenses. Cotlook Cotton indexes continued to increase on Tuesday. North Europe A Index (2006-07 Crop) added 5 points at 59.80 cents/pound while North Europe B Index (2006-07 Crop) gained 10 point at 57.25 cents/pound. Far Eastern A Index (2006-07 Crop) rose 5 points at 58.55 cents/pound.

### FUTURES MARKETS:

MCX Kapas futures moved down Wednesday on selling pressure at higher level and weak spot market sentiment coupled with bearish NYBOT cotton market. Market recovered slightly after mostly weak opening but fell thereafter. Most active April contract lost Rs.1.20 at Rs.426.40 after weak opening at Rs.425.70 and traded between Rs.424.10-428.10. NCDEX most active April contract slid Rs.1.20 at Rs.427.90 after bearish opening at Rs.427.60 and moved between Rs.426.50-429.70.

### PRICE DRIVERS:

1. Restricted off-take by the mills; Thin arrivals on bad weather
2. Lackluster budget; Expectation of lower production

### WEATHER:

Rains in North India may restrict the market arrivals.

### TECHNICALS:

Candlestick favours the bulls for the next trading day. %K-line going up and remains above %D line at neutral region, hints bullish market. Prices closed just above 9-day and 18-day EMA, favours the bulls for medium term but MACD hints downward market for medium term. Open interest steady but volume of trade significantly decreased. Kapas is expected to trade up after 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 | 423 | 420 | 426.40 | 430 | 433 |

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 429.50 with target towards 426.50, second target near 424.50. Put stop loss above 431.50.

### SUPPORT / RESISTANCES:

#### NCDEX Kapas April Contract 2007

| Month | S1  | S2  | PCP    | R1  | R2  |
|-------|-----|-----|--------|-----|-----|
| April | 424 | 422 | 427.90 | 431 | 433 |

### TRADE RECOMMENDATION (INTRADAY)

**Sell** below 430 with target towards 427, second target near 425. Put stop loss above 432.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets                   | Variety     | Units     | 28.02.07    | 27.02.07    | Change  |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana            | J-34        | Rs./Maund | 1850        | 1840        | +10.00  |
| Muksar-Punjab             | J-34        | Rs./Maund | 1860        | 1850        | +10.00  |
| Abohar- Punjab            | J-34        | Rs./Maund | 1855        | 1845        | +10.00  |
| Sri Ganganagar- Rajasthan | J-34        | Rs./Maund | 1755        | 1750        | +5.00   |
| Ahmedabad/Kadi - Gujarat  | S-6 28 mm   | Rs./Candy | 18300-18700 | 18500-18800 | -200.00 |
| Ahmedabad/Kadi - Gujarat  | V-797 Kapas | Rs./Candy | 14200-14800 | 14200-14800 | -       |
| Maharashtra               | Mech-I-29mm | Rs./Candy | 18500-19000 | 18600-19000 | -100.00 |
| Maharashtra               | Y-1         | Rs./Candy | 17600-17800 | 17600-17800 | -       |
| Madhya Pradesh            | Mech-I-29mm | Rs./Candy | 18600-19000 | 18700-19000 | -100.00 |
| Madhya Pradesh            | Y-1         | Rs./Candy | 17400-17600 | 17400-17600 | -       |

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