

COTTON DAILY

19th FEBRUARY, 2007

SPOT MARKETS:

Cotton prices witnessed steady at mostly upper level on Saturday at most of the trading centre amidst weakness in arrivals despite steady demand from the mills and exporters. However Shankar-6 cotton declined slightly in Gujarat, M.P. and Maharashtra on increased selling pressure. Traders said, with the biggest customer of cotton, China is now turning to India and other countries for its supply and it is fueling spot prices. Therefore arrivals are maintaining market prices, traders said. Arrivals had increased in Gujarat market, around 30,000 bales. On Saturday, Shankar-6 (28mm) quoted down at Rs.18300-18800/candy in Gujarat. However J-34 traded slight up at Rs.1700-1760/maund despite increased arrivals of 3,000 bales in Haryana. In Punjab, it quoted slight down at Rs.1720-1795/maund with average intakes of 3,500 bales. The mills are attempting to replenish stocks at the market yards on expectation of higher prices in the near future. Traders are expecting that the prices would maintain this bullish trend for the next few weeks as traders wait to see whether there are changes in policy and taxation related issues in the upcoming annual budget of the government. The budget is to be presented in Parliament on February 28. At present, the daily average arrivals of cotton in the country reduced to 65,000 bales approximately, down from 110,000-115,000 bales at the beginning of this month. Meanwhile, the overall cotton consumption by the domestic textile mills is likely to touch 218-220 lakh bales or about 20% higher than last year's consumption. However the Cotton Advisory Board was set the target of 202 lakh bales. All major textile mills have stocked up to 90% of their cotton requirements for the year.

INTERNATIONAL MARKET:

NYBOT cotton futures strengthened further Friday, triggered by technicals and traders liquidating March positions and rolling them forward. March cotton surged 35 points to settle at 54.00 cents a pound, and May gained 9 points at 52.32 cents. Cotlook Cotton indexes increased Friday. North Europe A Index (2006-07 Crop) gained 40 points at 58.70 cents/pound while North Europe B Index (2006-07 Crop) increased 15 points at 56.25 cents/pound. Far Eastern A Index (2006-07 Crop) was up 40 points at 57.35 cents/pound.

FUTURES MARKETS:

MCX Kapas futures traded firm Saturday on strong buying support at lower level and strong spot market sentiment. NYBOT continued to up Friday, which is likely to have bullish impact. Market tumbled after firm opening but recovered thereafter. Most active April contract gained Rs.1.80 at Rs.427 after firm opening at Rs.425.50 and traded within Rs.424.40-427.40. NCDEX most active April contract surged Rs.1.70 at Rs.428.30 after weak opening at Rs.426 and hovered between Rs.425.60-428.70.

PRICE DRIVERS:

1. Reduced arrivals; Steady demand from local mills & exporters
2. China turning to India for its supply; Higher consumption

WEATHER:

Out of season crop.

TECHNICALS:

Candlestick favours the bulls for the next trading day. %K-line moving up after made bullish cut with %D line at overbought region, hints strong market. Prices closed above 9-day and 18-day EMA, favours the bulls for medium term but MACD indicates steady market for medium term. Open interest as well as volume of trade significantly increased. Kapas is expected to remain up after a steady to 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	424	422	427	429	432

TRADE RECOMMENDATION (INTRADAY)

Buy above 425.50 with target towards 428.50, second target near 430. Put stop loss below 423.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	426	424	428.30	430	433

TRADE RECOMMENDATION (INTRADAY)

Buy above 426.50 with target towards 429.50, second target near 431. Put stop loss below 424.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	17.02.07	16.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1755	1750	-5.00
Muksar-Punjab	J-34	Rs./Maund	1790	1795	-5.00
Abohar- Punjab	J-34	Rs./Maund	1760	1760	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1690	1690	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18300-19000	18500-18800	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14100-14500	14100-14500	-
Maharashtra	Mech-I-29mm	Rs./Candy	18300-18500	18400-18600	-100.00
Maharashtra	Y-1	Rs./Candy	16600-16800	16600-16800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18300-18500	18400-18600	-100.00
Madhya Pradesh	Y-1	Rs./Candy	16600-16800	16500-16800	+100.00

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