

COTTON DAILY

8th MARCH, 2007

SPOT MARKETS:

The strong rallies are continuing in the cotton market in the country on reduced stocks, weakness in arrivals and strong demand from the exporters. Cotton prices skyrocketed in Gujarat and North India Wednesday on mostly poor arrivals. Short covering by exporters and buying support from the mills are improving. Over the past two weeks, daily arrivals have been dropped to 40,000-50,000 bales, which is nearly half the level prevailing in January and it was at around 45,000 bales on Wednesday in the country. Farmers are holding seed cotton, which has added to the reduction of arrivals. In addition, worries continue that the Gujarat, North India and Maharashtra crop will not meet the CAB estimate. However, Pakistan will export for some of 3,000 bales of low quality cotton to India at around 48-50 cent/pound and total cost comes to about Rs.35 million, which sparked the domestic cotton prices. Pakistan's traders are anticipating that more orders will come from Indian buyers, as India are facing acute shortage of cotton due to huge quantity cotton export, around 4.5 million bales (M.B.) in 2006-07 and now fell short of 1-M.B. India's current season cotton production is around 27 M.B against the consumption of 23.5 M.B, a surplus of 3.5 M.B but they have exported 4.5 M.B, which have create some shortage. On Wednesday, Shankar-6 (28mm) climbed at Rs.19200-19500/candy in Gujarat with steady intakes of 22,000 bales. J-34 climbed at Rs.1940-1960/maund with mostly lower arrivals of 700 bales in Haryana. In Punjab, it offered strongly bullish at Rs.1945-1990/maund on lower arrivals of 1,200 bales.

INTERNATIONAL MARKET:

NYBOT cotton futures settled with moderate gains Tuesday amidst short-covering. May cotton futures gained 40 points at 53.45 cents/pound. In Pakistan, the business volume remained moderately up in the Karachi cotton market Tuesday. The KCA official spot rate remained unchanged at Rs 2,525/maund, without upcountry expenses. Cotlook Cotton indexes tumbled on Tuesday. North Europe A Index (2006-07 Crop) was down by 40 points at 59.35 cents/pound while North Europe B Index (2006-07 Crop) slipped 25 points at 56.65 cents/pound. Far Eastern A Index (2006-07 Crop) lost 45 points at 58.00 cents/pound.

FUTURES MARKETS:

MCX Kapas futures retreated on technical correction due to profit booking on Wednesday. Market tumbled after strong opening on technical selling. NYBOT remained up on Tuesday, which is likely to have positive impact at early hour. Most active April contract lost Rs.6 at Rs.436.50 after firm opening at Rs.443.40 and traded between Rs.436.50-443.50. However NCDEX most active April contract slipped Rs.4.40 at Rs.444.60 after strong opening at Rs.449.50 and moved between Rs.444.50-450.40.

PRICE DRIVERS:

1. Robust demand; Reduced stocks; Imports from Pak
2. Sluggish arrivals; Exporters demand; Higher consumption

WEATHER:

Mainly dry weather favors the harvest of cotton through central and south India at this time.

TECHNICALS:

Candlestick favours the bears for the next trading day. %K-line going down after made a bearish cut with %D line at overbought region, indicates technical weakness. Prices closed above 9-day and 18-day EMA, favours the bulls for medium term and MACD predicts upward market for medium term. Open interest as well as volume of trade declined. Kapas is likely to remain down 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	433	430	436.50	439	442

TRADE RECOMMENDATION (INTRADAY)

Sell below 437 with target towards 433.50, second target near 432.50. Put stop loss above 439.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	440	437	444.60	447	450

TRADE RECOMMENDATION (INTRADAY)

Sell below 445.50 with target towards 442, second target near 440.50. Put stop loss above 448.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	07.03.07	06.03.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1970	1950	+20.00
Muksar-Punjab	J-34	Rs./Maund	1985	1960	+25.00
Abohar- Punjab	J-34	Rs./Maund	1955	1945	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1875	1855	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19200-19500	18800-19300	+400.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15100-15600	15000-15600	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19300-19500	19300-19500	-
Maharashtra	Y-1	Rs./Candy	17500-17700	17500-17700	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19300-19500	19300-19600	-
Madhya Pradesh	Y-1	Rs./Candy	17500-17700	17500-17800	-

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