

COTTON DAILY

2nd MARCH, 2007

SPOT MARKETS:

Cotton prices soared on Thursday after the moderate budget amidst increased off-take by the cotton mills and exporters. Restricted arrivals added to the zing. Meanwhile, there were no major changes in policy and taxation-related issues for cotton in the government's annual budget in 2007-08, which was placed in the Parliament Wednesday. Therefore sales are likely to increase from the coming week as the ambiguity over the federal budget is now over. During this week, the prices were declining on feeble demand and limited sales for exports. Therefore most mills have already replenished their stocks. Arrivals are reported to be around 60,000 bales in the country. According to the sources, over 200 lakh bales cotton have already reached in the market. However, cotton production is expected to be around 255-260 lakh bales during the season, as per the trader's estimates. Traders said, the present conditions of arrivals are adequate to meet local demand. In addition to, major parts of the export sales have already taken place and it is estimated to close at 40 lakh bales, according to trade sources. They also reported that it may touch a record high of 50 lakh bales. On Thursday, Shankar-6 (28mm) quoted mostly firm at Rs.18600-18900/candy in Gujarat with lower intakes of 20,000 bales. J-34 traded mostly up at Rs.1810-1870/maund with average inflows of 2,000 bales in Haryana. In Punjab, it registered up at Rs.1855-1900/maund on lower arrivals of 2,500 bales. Besides, CCI's cotton export offering prices remained steady at higher level. Offering prices for H-4 styles was at near 58.50 cents per pound FOB Mumbai Basis.

INTERNATIONAL MARKET:

NYBOT cotton futures hovered up Wednesday amidst modest speculative buying. Most active May cotton contract settled 0.76 cent up to settle at 53.82 cents/pound. In Pakistan, lackluster trading activity was observed in the cotton market Wednesday as leading buyers were on the sidelines on expectation of lower trend in the prices. KCA official spot rate remained flat at Rs.2,550/maund, without upcountry expenses. Cotlook Cotton indexes tumbled down on Wednesday. North Europe A Index (2006-07) lost 55 points at 59.25 cents/pound while North Europe B Index (2006-07) dropped 60 point at 56.65 cents/pound. Far Eastern A Index (2006-07) slipped 55 points at 58.00 cents/pound.

FUTURES MARKETS:

MCX Kapas futures hovered up Thursday amidst speculative buying on strong spot prices coupled with bullish NYBOT cotton market. Market traded mostly up through out the trading session after mostly strong opening. Most active April contract climbed Rs.5.20 at Rs.431.60 after mostly firm opening at Rs.428.50 and hovered between Rs.428-432.10. NCDEX most active April contract added Rs.5.50 at Rs.433.50 after bullish opening at Rs.429.40 and soared between Rs.429.40-433.90.

PRICE DRIVERS:

1. Increased off-take by the mills; Restricted arrivals
2. Moderate budget; Stocks replenishing

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 strong market. Prices closed above 9-day and 18-day EMA, favours the bulls for medium term but MACD hints steady market for medium term. Open interest as well as volume of trade significantly increased. Kapas is likely to trade bullish 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	430	427	431.60	435	437

TRADE RECOMMENDATION (INTRADAY)

Buy above 431 with target towards 434.50, second target near 436.50. Put stop loss below 428.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	431	429	433.50	437	440

TRADE RECOMMENDATION (INTRADAY)

Buy above 432 with target towards 435.50, second target near 437. Put stop loss below 429.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	01.03.05	28.02.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1860	1850	+10.00
Muksar-Punjab	J-34	Rs./Maund	1875	1860	+15.00
Abohar- Punjab	J-34	Rs./Maund	1865	1855	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1765	1755	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18600-19000	18300-18700	+300.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14300-14800	14200-14800	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18600-19000	18500-19000	+100.00
Maharashtra	Y-1	Rs./Candy	17600-17800	17600-17800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18700-19100	18600-19000	+100.00
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

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