

COTTON DAILY

21st MARCH, 2007

SPOT MARKETS:

Cotton prices remained bearish on Tuesday at most of the trading centre amidst lack of buying support from the millers, exporters and releasing of unsold stocks, trades said. In addition to, the cotton output in the world is increasing in 2006/07, with a large rise in China's crop. It is estimated that world production will be at 117 million bales in 2006/07, which is 2.8 million bales higher than 2005/06. Consumption is also higher, up 5.7 million bales to 122 million, largely due to growth in China. But, world trade is estimated lower by 14%, as China's imports shrink by 27%. Therefore exporters are less interested to create stocks at prevailing rate due to lower estimation of China's import. China's imports are anticipated to linger high by historical standards, but decline by 5.2 million bales in 2006/07 to 14 million bales. On the other hand, in India, around 75% of the estimated sales for export during this marketing year have already been taken place and are projected at finish to 4.0 million bales and may reach a record high of 5.0 million bales. The export offering prices of Indian cotton is currently being at around 60 U.S. cents a pound cost and freight basis for far-east Asian destinations. On Tuesday, Shankar-6 (28mm) traded steady at Rs.19200-19400/candy in Gujarat with steady intakes of 22,000 bales. J-34 slipped at Rs.1870-1920/maund with lower arrivals of 800 bales in Haryana. In Punjab, J-34 prices offered down at Rs.1880-1957/maund with 1300 bales of arrivals. Total arrivals were at around 42,000 bales in the country.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled Monday, triggered by speculative selling at the last hour. Most-active May cotton lost 20 points to close at 53.71 cents a pound, while July remained flat at 54.64 cents. In Pakistan, official spot rate of cotton has increased on Monday because bullish trend of cotton prices on modest trading. KCA official spot has increased by Rs.25 to Rs.2600/maund, without upcountry expenses. Cotlook Cotton indexes increased on Monday. North Europe A Index (2006-07 Crop) was up by 25 points at 60.05 cents/pound while North Europe B Index (2006-07 Crop) gained 15 points at 57.40 cents/pound. Far Eastern A Index (2006-07 Crop) added 25 points at 58.45 cents/pound.

FUTURES MARKETS:

MCX Kapas futures recovered at late speculative buying and profit taking on Tuesday. Market tumbled after weak opening on selling pressure and weak NYBOT cotton futures but recovered thereafter and settled mostly up. Most active April contract gained Rs.1.60 at Rs.450.40 after mostly weak opening at Rs.446.60 and hovered between Rs.445.50-451.70. NCDEX most active April contract added Rs.2.90 at Rs.464 after bearish opening at Rs.459.20 and soared between Rs.454.20-464.10.

PRICE DRIVERS:

1. Sluggish demand & releasing of unsold stocks
2. Improved arrivals; Lower estimation of China's import

WEATHER:

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

TECHNICALS:

Candlestick favours the bulls for the next trading day. But %K-line moving down and remains below %D line at neutral region, hints weak market. Prices closed just above 9-day and 18-day EMA, slightly supports the bulls while MACD favours the bears for medium term. Open interest decreased but volume of trade significantly increased. Kapas is likely to remain strong after slight weak 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	448	445	450.40	453	456

TRADE RECOMMENDATION (INTRADAY)

Buy above 449 with target towards 452.50, second target near 454. Put stop loss below 446.50.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	462	459	464	468	471

TRADE RECOMMENDATION (INTRADAY)

Buy above 463 with target towards 467, second target near 470. Put stop loss below 460.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	20.03.07	19.03.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1920	1940	-20.00
Muksar-Punjab	J-34	Rs./Maund	1957	1975	-18.00
Abohar- Punjab	J-34	Rs./Maund	1930	1960	-30.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1835	1850	-15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19200-19400	19200-19400	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15400-16300	15600-16400	-200.00
Maharashtra	Mech-I-29mm	Rs./Candy	19100-19400	19200-19500	-100.00
Maharashtra	Y-1	Rs./Candy	17400-17700	17600-17900	-200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19300-19500	19300-19500	-
Madhya Pradesh	Y-1	Rs./Candy	17700-18000	17700-18000	-

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