

COTTON DAILY

22nd MARCH, 2007

SPOT MARKETS:

Cotton prices have been maintaining a bearish trend since last 5-7 days on the back of weaker demand from exporters and local buyers coupled with improved arrivals. The stockists are also releasing their unsold stocks. The 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. Meanwhile, Pakistan is one of the importers of Indian lint this year. Shankar-6 was the most wanted variety in Pakistani market where millers imported around seven and a half hundred thousands of bales from India. In fact, 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 Wednesday, Shankar-6 (28mm) traded steady at Rs.19200-19400/candy in Gujarat with steady arrivals of 22,000 bales. J-34 traded down at Rs.1890-1910/maund with higher arrivals of 1000 bales in Haryana. In Punjab, J-34 prices offered down at Rs.1895-1950/ maund with 1200 bales of arrivals. Total arrivals were up at around 43,000 bales in the country.

INTERNATIONAL MARKET:

NYBOT cotton futures stumbled on Tuesday amidst trade and options related selling. May pit-traded cotton slipped 41 points to close at 53.30 cents, while July slid 44 points to 54.20 cents. In Pakistan, trading activity remained strong in the Karachi cotton market on Tuesday as most of the spinners continued buying regardless of the bullish trend of prices. However the KCA official spot remained flat at Rs.2600/maund, without upcountry expenses. Cotlook Cotton indexes remained lower. North Europe A Index (2006-07 Crop) was down by 5 points at 60.00 cents/pound while North Europe B Index (2006-07 Crop) lost 5 points at 57.35 cents/pound. Far Eastern A Index (2006-07 Crop) slipped 5 points at 58.40 cents/pound.

FUTURES MARKETS:

MCX Kapas futures traded strong on Wednesday amidst buying support at early hour but tumbled at late hour on profit taking. NYBOT cotton futures slipped on Tuesday, which is likely to have bearish impact on Indian cotton futures market. Most active April contract added Rs.1.20 at Rs.451.50 after weak opening at Rs.450.10 and hovered between Rs.448.30-453.40. NCDEX most active April contract gained Rs.1.60 at Rs.462.70 after steady opening at Rs.461.20 and traded at Rs.460.40-464.70.

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 hints indecisive market for the next trading day. But %K-line going down and remains below %D line at neutral region, hints bearish 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 as well as volume of trade significantly decreased. Kapas is likely to trade weak after weak opening with possibility of some upwards movement later.

MCX Kapas April Contract-2007



SUPPORT / RESISTANCES:

MCX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	448	446	451.50	454	546

TRADE RECOMMENDATION (INTRADAY)

Sell below 453 with target towards 449, second target near 447.50. Put stop loss above 456.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	459	456	462.70	465	467

TRADE RECOMMENDATION (INTRADAY)

Sell below 464 with target towards 460, second target near 458. Put stop loss above 467.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.03.07	20.03.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1920	1920	-
Muksar-Punjab	J-34	Rs./Maund	1950	1957	-7.00
Abohar- Punjab	J-34	Rs./Maund	1935	1930	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1815	1835	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19200-19400	19200-19400	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15400-16300	15400-16300	-
Maharashtra	Mech-I-29mm	Rs./Candy	19100-19400	19100-19400	-
Maharashtra	Y-1	Rs./Candy	17400-17800	17400-17700	-
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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