

COTTON DAILY

16th MARCH, 2007

SPOT MARKETS:

Cotton prices got down on Thursday amidst clear weather and increased arrivals coupled with lower buying demand from the local mills and exporters. Recent hike in prices was mainly attributed to strong demand and tight supplies due to bad weather in North India. Arrivals of cotton have increased to around 50000 bales in the country as compared to 40000 bales of last day, which pulled down the prices. However, cotton production in the country has been rising since last three years but traders said it is still hardly adequate to meet the demand of local mills and exports. Traders are estimated cotton production at 25-27 million bales in this year. They also reported that several cotton mills are remaining on expanding mood; therefore demand has kept pace with increase in output. About 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 it is likely to reach a record high of 5.0 million bales. In the meantime, 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, and buyers are willing to buy cotton at these levels. On the other hand, over 22 million bales of cotton have already been reached in the market since October. On Thursday, Shankar-6 (28mm) traded down at Rs.19200-19500/candy in Gujarat with steady arrivals of 23,000 bales. J-34 declined and quoted at Rs.1915-1975/maund with higher arrivals of 1000 bales in Haryana. In Punjab, J-34 prices quoted down at Rs.1920-1985/maund with 2000 bales of arrivals.

INTERNATIONAL MARKET:

NYBOT cotton futures declined Wednesday amidst light speculative sales. May cotton slipped 6 points to close at 53.50 cents, while July slid 11 points to 54.34 cents. In Pakistan, cautious buying was observed on the Karachi cotton market Wednesday as mills were a little active to cover their immediate needs. KCA official spot rate was flat at Rs 2550/maund, without upcountry expenses. Cotlook Cotton indexes tumbled on Wednesday. North Europe A Index (2006-07 Crop) was down by 60 points at 59.80 cents/pound while North Europe B Index (2006-07 Crop) lost 40 points at 57.25 cents/pound. Far Eastern A Index (2006-07 Crop) was down by 65 points at 58.20 cents/pound.

FUTURES MARKETS:

MCX Kapas futures rebounded to up Thursday amidst buying support at lower level. Market tumbled after weak opening but recovered thereafter. Most active April contract gained Rs.6.60 at Rs.453.50 after weak opening at Rs.446.60 and hovered at Rs.445.20-453.90. NCDEX most active April contract climbed Rs.8.90 at Rs.467 after bearish opening at Rs.457.50 and soared between Rs.457-469.90.

PRICE DRIVERS:

1. Weak demand at higher level & improved arrivals
2. Active exporters; Strong international market

WEATHER:

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

TECHNICALS:

Candlestick hints bullish market for the next trading day. %K-line moving up to cut %D line at neutral region, hints bullish market. Prices closed just above 9-day and 18-day EMA, slightly supports the bulls for medium term and MACD also hints slight bullish market for medium term. Open interest increased but volume of trade significantly decreased. Kapas is expected to trade bullish after slight firm 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 | 451 | 447 | 453.50 | 459 | 462 |

TRADE RECOMMENDATION (INTRADAY)

Buy above 453.50 with target towards 459, second target near 461. Put stop loss below 450.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|-----|-----|-----|
| April | 464 | 460 | 467 | 472 | 475 |

TRADE RECOMMENDATION (INTRADAY)

Buy above 465 with target towards 470, second target near 472. Put stop loss below 461.50.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 15.03.07 | 14.03.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1970 | 1990 | -20.00 |
| Muksar-Punjab | J-34 | Rs./Maund | 1985 | 2000 | -15.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 1960 | 1980 | -20.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1860 | 1890 | -30.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 19200-19500 | 19400-19700 | -200.00 |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 15400-16200 | 15600-16400 | -200.00 |
| Maharashtra | Mech-I-29mm | Rs./Candy | 19200-19500 | 19100-19400 | +100.00 |
| Maharashtra | Y-1 | Rs./Candy | 17500-17800 | 17500-18000 | - |
| Madhya Pradesh | Mech-I-29mm | Rs./Candy | 19300-19500 | 19400-19600 | -100.00 |
| Madhya Pradesh | Y-1 | Rs./Candy | 17600-17800 | 17600-18000 | - |

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