

COTTON DAILY

19th APRIL, 2007

SPOT MARKETS:

Regardless of the dwindling supplies and fresh buying support from the mills, cotton prices observed a slightly softer trade in the domestic market on Wednesday. Other bearish factor is fresh imports by the cotton yarn traders to cash in on the increase in the rupee against the dollar and also to cover their quality requirements. Traders said the rupee has increased to a nine-year high as compared to the dollar in this week; therefore imports have suddenly become cheaper for yarn makers. They said, the domestic mills have contracted to import of around 1.5 million bales of cotton. On the other hand domestic exports have dried up due to higher prices over the international prices. The industry experts say that the imports of long staple cotton this year is likely to cross the previous year's import figure on improved domestic demand. Slightly lower arrivals of 20000 bales of cotton were seen on Wednesday as compared to 21000 bales on Tuesday. Production of cotton in the country is sufficient for the domestic consumption, however if export demand picks up the prices might find some support. Around 4 million bales of cotton have been exported so far and traders expect export to touch 5 million bales this year. On Wednesday, Shankar-6 (28mm) quoted down at Rs.19400-19700/candy in Gujarat on steady arrivals of 13000 bales. J-34 prices traded slightly lower at Rs.1950-1970 in Haryana with average arrivals of 200 bales. In Punjab, it quoted down at Rs.1955-2005 on steady arrivals of 200 bales. In the view of marginally increased production in the country and shrinking export demand, the prices have not much scope on the higher side.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled to new contract lows Tuesday on continued speculative and fund liquidation. May cotton slipped 65 points to close at 49.73 cents, and July slid 40 points to 51.60 cents. Cotlook Cotton indexes tumbled on Tuesday. North Europe A Index (2006-07 Crop) was down by 15 points at 58.75 cents/pound while North Europe B Index (2006-07 Crop) lost 5 points at 57.30 cents/pound. Far Eastern A Index (2006-07 Crop) slipped 5 points at 57.10 cents/pound. In Karachi, no change was witnessed on the cotton market as ginneries did not lower the asking prices. KCA official spot rate was unchanged at Rs 2725, without upcountry expenses.

FUTURES MARKETS:

Bearish trend continued on the cotton futures on Wednesday. The most active May contract on MCX opened weak at Rs 449.50 against previous close of Rs.450.70. The prices settled Rs.4.20 down at Rs.446.50 and traded in the range of Rs. 442.40-449.50. NCDEX May Kapas traded bearish in the range of Rs.445.30-458.20 before closing at Rs.451.50.

PRICE DRIVERS:

1. Sluggish export demand; Higher import at low cost
2. Higher domestic prices as compared to international prices

WEATHER:

Weather is suitable for early planting across the irrigated crop regions of northern India.

TECHNICALS:

Charts are indicating bearish picture of cotton market. But Stochastic is moving up after made bullish cut from down in oversold regions, hinting technical buying. Prices closed below short term EMAs hints for bearish sentiment in the market. MACD is also showing continued fall in bullish momentum. Open interest remained weak where as volume of trade increased. Cotton prices are likely to trade up initially after slight firm opening with downwards movement later.

NCDEX Kapas April Contract-2007



SUPPORT / RESISTANCES:

MCX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	442	437	446.50	451	455

TRADE RECOMMENDATION (INTRADAY)

Sell below 450 with target towards 444, second target near 442. Put stop loss above 454.

SUPPORT / RESISTANCES:

NCDEX Kapas April Contract 2007

Month	S1	S2	PCP	R1	R2
April	445	440	451.50	458	462

TRADE RECOMMENDATION (INTRADAY)

Sell below 456 with target towards 450, second target near 446. Put stop loss above 460.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	18.04.07	17.04.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1960	1965	-5
Muktsar-Punjab	J-34	Rs./Maund	2000	2005	-5
Abohar- Punjab	J-34	Rs./Maund	1995	1995	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1920	1925	-5
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19400-19700	19500-19800	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15600-16100	15600-16100	-
Maharashtra	Mech-I-29mm	Rs./Candy	19400-19700	19500-19800	-100.00
Maharashtra	Y-1	Rs./Candy	17600-18000	17600-18000	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19300-19600	19500-19800	-200.00
Madhya Pradesh	Y-1	Rs./Candy	18000-18200	18000-18200	-

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