

COTTON DAILY

1st MAY, 2007

SPOT MARKETS:

The bearish trend of cotton prices are mainly due to lack of exports and absence of buyers from the domestic mills. In addition, rising rupee against dollar and the domestic mills have put a hold on their buying. Traders are expecting that the bearish trend is likely to continue in the days to come. Besides, it has become difficult to sell Indian cotton in the international market as domestic cotton prices are at par with cotton prices in the US. Buyers from domestic mills are not interested to buy cotton because all the mills have already piled stocks to meet the future requirements. Traders reported, Southern Indian cotton mills have imported around 2,00,000 bales of cotton from overseas markets. Conversely, domestic exporters are also selling their stocks at the local markets due to falling of international markets, traders said. However prices remained almost steady to range bound at most trading centres on Monday amidst depleting stocks. Steady arrivals of 17000 bales of cotton were seen on Monday. Season-to-date deliveries have reached 24.74 million bales. However, industry estimates peg Indian cotton output this year at 25 million-27 million bales. On Monday, Shankar-6 (28mm) quoted steady at Rs.18500-18900/candy in Gujarat on average intakes of 12500 bales. J-34 prices remained stable at Rs.1870-1900 in Haryana. In Punjab, it slightly increased at Rs.1900-1945. In the view of marginally increased production in the country and shrinking export demand, the cotton prices have not much scope on the higher side as short term. For the first time, India's monthly cotton yarn output has exceeded 240,000 tons for three consecutive months.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday for weekend holiday. Cotlook Cotton indexes slipped on Friday. North Europe A Index (2006-07 Crop) was down by 95 points at 57.25 cents/pound while North Europe B Index (2006-07 Crop) lost 80 points at 56.60 cents/pound. Far Eastern A Index (2006-07 Crop) declined 95 points at 55.75 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures traded firm on Monday amidst buying support at lower level and profit taking due to technically oversold market. Futures market went to up after weak opening on buying interest but fell down at late hour on selling pressure. Most active MAY contract on NCDEX opened weak at Rs.447.70 and gained Rs.2.10 at Rs.450.70 and hovered in the range of Rs.447.50-455.40.

PRICE DRIVERS:

1. Lack of buyers; No exports at present
2. Weak international market: Higher rupee
3. Strong import by the Southern mills

WEATHER:

Favorable conditions for planting across the irrigated crop regions of northern India, after earlier rains. Planting begins later in the rainfed crop region of central and southern India.

TECHNICALS:

Candlesticks charts are hinting weak market for the next trading day. However, Stochastic is going up in oversold regions, hinting upward market. Prices closed below short term and medium term EMAs, suggesting downward market. MACD is moving up at negative zone and indicating strong market. RSI is going up, hinting bullish market. Open interest as well as volume of trade significantly increased. Cotton prices are likely to remain weak initially after weak opening with possibility of late upwards movement as short term.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	445	440	450.70	455	460

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.447 with target towards Rs.454 and then Rs.457; Put stop loss strictly below Rs.442. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	30.04.07	28.04.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1900	1900	-
Muktsar-Punjab	J-34	Rs./Maund	1945	1945	-
Abohar- Punjab	J-34	Rs./Maund	1920	1920	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1830	1855	-25.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18900	18500-18900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14600-15000	14500-15000	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19200	19000-19200	-
Maharashtra	Y-1	Rs./Candy	17000-17500	17000-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19000-19300	18900-19100	+100.00
Madhya Pradesh	Y-1	Rs./Candy	17500-17800	17600-17900	-100.00

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