

COTTON DAILY

17th MAY, 2007

SPOT MARKETS:

Cotton prices remained steady to slight down on Wednesday amidst feeble buying from the exporters and local ginners against the steady arrivals. Appreciation of Indian rupee against the dollar has virtually blocked cotton exports from the country. Some exporters are forced to liquidate their port stocks due to weak overseas demand. The local millers may import large quantities of cotton to cash in on the rupee's rise. In addition, around 3-3.5 million bales of cotton are remaining in stock, traders said. They also said that fresh import of around 2-lakh bales of cotton have contracted for delivery of May and June due to weakness dollar. On Wednesday, Shankar-6 (28mm) remained down at Rs.18400-18700/candy in Gujarat on steady intakes of 11,000 bales. J-34 prices were steady at Rs.1915-1930/maund in Haryana. In Punjab, it traded stable Rs.1915-1965/maund with total arrivals were around 15,000 bales in the country. Pakistan has allowed import of long staple cotton through land route initially from India and later from Uzbekistan to meet local demand. Besides, cotton sowing has been started under the monsoon this week, with farmers in Gujarat taking to the fields two weeks earlier than usual on ample seed supply and hopes for timely rains. The sowing is expected to start in the other prominent cotton producing states like Maharashtra and A.P. in June. Cotton prices may rule lower in the short term on weakness in dollar, less demand and higher unsold stocks.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Tuesday amidst bullish options trading and speculative buying. Most-active July cotton rose 83 points to close at 47.75 cents a pound. Cotlook Cotton indexes continued to down on Tuesday. North Europe A Index (2006-07 Crop) was down by 85 points at 55.50 cents/pound while North Europe B Index (2006-07 Crop) lost 75 points at 55.10 cents/pound. In addition, far Eastern A Index (2006-07 Crop) was down by 80 points at 53.95 cents/pound.

FUTURES MARKETS:

NCDEX cotton futures traded rangebound and settled up Tuesday amidst lackluster trading activity. Futures market got up after weak opening and settled at the positive territory. Most active May contract gained Rs.1.30 at Rs.444.90 after weak opening at Rs.444.20 and traded in the range of Rs.444-445.60. In Pakistan, dull trading activity was observed in the Karachi cotton market on Tuesday because the mills were remained sidelines on the back of lack of interest in fresh buying. The Karachi Cotton Association (KCA) official spot remained flat Rs.2675/maund, without upcountry expenses.

PRICE DRIVERS:

1. Less demand against the steady arrivals
2. Increasing rupee against the dollar value
3. Exporters liquidate port stocks on mostly weak world market

WEATHER:

Late winter rain in north India has provided favourable soil moisture and irrigation for cotton now being planted in this area.

TECHNICALS:

Candlestick is hinting indecisive market for the next trading day. Stochastic is going down after made a bearish cut in neutral regions, suggesting weak market. Prices closed just below short term and medium term EMAs, indicates slight weak market may continue. But MACD is going up at negative zone, hints upward market for medium term. Besides, RSI is moving up and favouring bulls. Open interest as well as volume of trade declined. Kapas is likely to trade rangebound with slight down after firm opening with possibility of late upwards movement.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	441	438	444.90	447	450

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.446 with target towards Rs.441 and then Rs.439; Put stop loss strictly above Rs.450. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	16.05.07	15.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1935	1930	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1965	1965	-
Abohar- Punjab	J-34	Rs./Maund	1950	1945	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1860	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18400-18700	18500-18800	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14900-15400	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18800-19000	18800-19000	-
Maharashtra	Y-1	Rs./Candy	16800-17300	16800-17300	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18800-19000	18800-19000	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

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