

## COTTON DAILY

3<sup>rd</sup> MAY, 2007

### SPOT MARKETS:

Domestic cotton prices recovered on Wednesday amidst active buying due to expectation of higher Chinese import demand in 2007-08, traders reported. According to the ICAC, Chinese imports are projected up by 1 million metric tons (MMt) to 3.9 MMt in 2007/08, which could drive international cotton trade up 9% to 9.1 MMt. Imports by Turkey are estimated stable whereas imports by Bangladesh and Indonesia are likely to rise slightly. This factor positively affected on the Indian spot market. However, the declining dollar against the Indian rupee propelled up the import demand recently, therefore the demand from Southern India got weakened. Southern Indian cotton mills have imported around 2,00,000 bales of cotton from overseas markets. Meanwhile, it has become difficult to sell Indian cotton in the international market as international market has been gradually decreasing since mid April. It is an estimated that 30-35 lakh bales of cotton is held in stocks to the domestic mills. In fact, season-to-date deliveries have reached 24.74 million bales. On Wednesday, Shankar-6 (28mm) quoted up at Rs.18800-19000/candy in Gujarat on higher intakes of 13000 bales. J-34 prices surged to Rs.1890-1915 in Haryana. In Punjab, it has increased to Rs.1900-1955. Maharashtra Cotton Federation increased their selling price by Rs.300 for new crop from April 11 and prices were on a firm trend and ruling between Rs.18,300-19,600/candy for 28-30 mm. The cotton prices have not much scope on the higher side due to weak international market and weakness in dollar.

### INTERNATIONAL MARKET:

NYBOT cotton futures made a new life of contract low Tuesday. Most-active July cotton slipped 104 points to close at 48.22 cents, hitting a new life-of-contract low of 48.10 cents. Cotlook Cotton indexes declined on Tuesday. North Europe A Index (2006-07 Crop) was down by 55 points at 56.70 cents/pound while North Europe B Index (2006-07 Crop) slipped 50 points at 56.10 cents/pound. Far Eastern A Index (2006-07 Crop) lost 60 points at 55.15 cents/pound.

### FUTURES MARKETS:

NCDEX Kapas futures remained unchanged on Wednesday. Futures market got down after weak opening on selling pressure and weak international market but moved up thereafter on profit taking and buying interest and finally fell down on selling pressure at upper level. Most active MAY contract opened weak at Rs.440.50 and remained unchanged at Rs.442.60 and traded in the range of Rs.436.50-447.

### PRICE DRIVERS:

1. Buyers remained active; No exports at present
2. Weak world market: Strong import by the Southern mills
3. ICAC: Expectation of higher Chinese import demand

### WEATHER:

Late winter rain in north India has provided favorable soil moisture and irrigation for cotton now being planted in this area. Cotton is normally planted in central and south India during June and depends on Monsoon rainfall.

### TECHNICALS:

Candlesticks charts are indicating slight weakness in the market for the next trading day. Stochastic is going down after made a bearish cut in neutral regions, suggesting further downward market. Prices closed below short term and medium term EMAs, favouring the bears. MACD is going down at negative zone and indicating weak market. In addition, RSI is turning down, hinting weakness in market. Open interest increased but volume of trade decreased. Cotton prices are expected to trade down 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	436	431	442.60	447	451

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-May- Kapas below Rs.445 with target towards Rs.438 and then Rs.436; 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	02.05.07	01.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1910	1900	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1955	1945	+10.00
Abohar- Punjab	J-34	Rs./Maund	1935	1920	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1850	1830	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18600-19000	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14700-15200	14700-15200	-
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19300	19000-19300	-
Maharashtra	Y-1	Rs./Candy	17000-17500	17000-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19100	19000-19300	-100.00
Madhya Pradesh	Y-1	Rs./Candy	17300-17500	17500-17800	-200.00

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