

## COTTON DAILY

4<sup>th</sup> MAY, 2007

### SPOT MARKETS:

Cotton prices slightly increased in North India on Thursday amidst listless arrivals against the fresh buying demand from the small mills. However it remained almost steady at the other major markets on Gujarat, Maharashtra, and M.P. on stable demand supply scenario. According to the ICAC, the cotton imports by the China are estimated 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 has positively affected on the Indian spot market. However, continued weakness in dollar against the Indian rupee propelled up the import demand recently, therefore the demand from Southern India got weakened. Southern Indian cotton mills have already imported around 2-lakh bales of cotton from overseas markets. Till now, it has become difficult to sell Indian cotton in the international market due to weak international cotton prices. On Thursday, Shankar-6 (28mm) quoted steady at Rs.18800-19000/candy in Gujarat on stable intakes of 13000 bales. J-34 prices increased to Rs.1895-1920/maund in Haryana. In Punjab, it has surged to Rs.1895-1960/maund with total arrivals were around 18,000 bales in the country. Besides, 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. But, 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 recovered from new contract low on Wednesday amidst late short covering. Most active July climbed 40 points to close at 48.62 cents a pound, after hitting a life-of-contract low of 47.78 cents. Cotlook Cotton indexes declined further. North Europe A Index (2006-07 Crop) was down by 70 points at 56.00 cents/pound while North Europe B Index (2006-07 Crop) slipped 70 points at 55.40 cents/pound. Far Eastern A Index (2006-07 Crop) lost 70 points at 54.45 cents/pound. KCA official spot rate remained flat at Rs 2700/maund, without upcountry expenses in Karachi.

### FUTURES MARKETS:

NCDEX Kapas futures fell down Thursday on late selling pressure. Futures market recovered after weak opening on buying support due to firm spot market and bullish NYBOT cotton market but turned down at late hour. Most active MAY contract slipped Rs.2.10 at Rs.440.90 after weak opening at Rs.442 and moved in the range of Rs.439.30-44.50.

### PRICE DRIVERS:

1. Moderate buying activity; No new exports deal at present
2. Sluggish 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 favourable soil moisture and irrigation for cotton now being planted in this area.

### TECHNICALS:

Candlesticks charts are suggesting bearish market for the next trading day. Stochastic is moving down in neutral regions, favouring the bears. Prices closed below short term and medium term EMAs, indicating weakness in market as medium term. MACD is going down at negative zone and also indicating weak market as medium term. In addition, RSI is going down, hinting weakness in market. Open interest increased but volume of trade decreased. Cotton prices are likely to trade bearish 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	435	430	440.90	445	450

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-May- Kapas below Rs.443 with target towards Rs.436 and then Rs.434; Put stop loss strictly above Rs.448. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	03.05.07	02.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1915	1910	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1960	1955	+5.00
Abohar- Punjab	J-34	Rs./Maund	1940	1935	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1850	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18800-19000	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14900-15400	14700-15200	+200.00
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	18900-19100	-
Madhya Pradesh	Y-1	Rs./Candy	17300-17500	17300-17500	-

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