

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices marginally declined on Tuesday in the North Indian market amidst limited buying interest. However the prices remained standstill in Gujarat and Western Indian markets on increased supply, weak demand and higher unsold stocks. Traders said, around 3-3.5 million bales of cotton are remaining in stock. Less buying demand from the exporters and South Indian millers are enforcing the market on negative side. There are reports of fresh business of imported cotton by some southern mills. India's cotton exports have come to a standstill on the back of weak international cotton prices and the appreciation of the rupee against the US dollar. 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. On Tuesday, Shankar-6 (28mm) remained steady at Rs.18500-18800/candy in Gujarat on steady intakes of 11,000 bales. J-34 prices were down at Rs.1915-1930/maund in Haryana. In Punjab, it traded slight down Rs.1915-1965/maund with total arrivals were around 14,000 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 tumbled to another round of new contract lows on Monday. Most-active July cotton slipped 119 points to close at 46.92 cents a pound. Cotlook Cotton indexes fell on Monday. North Europe A Index (2006-07 Crop) was down by 60 points at 56.35 cents/pound while North Europe B Index (2006-07 Crop) lost 40 points at 55.85 cents/pound. Far Eastern A Index (2006-07 Crop) was down by 70 points at 54.75 cents/pound.

### FUTURES MARKETS:

NCDEX cotton futures traded rangebound with slight down Tuesday on thin volume amidst lackluster trading activity. Futures market went down after mostly weak opening but recovered from the day's low on profit taking and some buying interest. Most active May contract lost Rs.0.40 at Rs.444 after weak opening at Rs.443 and traded in the range of Rs.441-444.70.

### PRICE DRIVERS:

1. Some millers demand against the moderate 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 indicating slight upward market for the next trading day. However, Stochastic is going down in neutral regions, suggesting weak market. Prices closed just below short term and medium term EMAs, indicates slight weak market. But MACD is going up at negative zone, hints upward market for medium term. Besides, RSI is moving down and favouring bears. Open interest declined but volume of trade increased. Kapas is likely to trade slight up after firm opening with possibility of late downwards movement.

### NCDEX Kapas MAY Contract-2007



### SUPPORT / RESISTANCES:

#### NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	441	438	444	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	15.05.07	14.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1930	1935	-5.00
Muktsar-Punjab	J-34	Rs./Maund	1965	1970	-5.00
Abohar- Punjab	J-34	Rs./Maund	1945	1955	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1865	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18800	18500-18800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14900-15400	14900-15400	-
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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