

COTTON DAILY

2nd MAY, 2007

SPOT MARKETS:

Domestic cotton prices observed almost steady on Tuesday amidst thin trading activity. However, the cotton prices witnessed a marginally softer trade at major north Indian markets. Traders said, the bearish trend remained in the market as the textile and garment manufacturers experiencing tight liquidity position during the past week. The cotton market tendency is towards witnessing further selling pressures with sliding demands from the spinners. In addition, declining dollar against the Indian rupee propelled up the import demand. Therefore, Southern Indian cotton mills have imported around 2,00,000 bales of cotton from overseas markets. 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. Therefore, domestic exporters are also selling their stocks at the local markets. Buyers from domestic mills are not interested to buy cotton because all the mills have already piled stocks to meet the future requirements. It is an estimated 30-35 lakh bales of cotton is held in stocks. In fact, season-to-date deliveries have reached 24.74 million bales. On Tuesday, Shankar-6 (28mm) quoted slight up at Rs.18600-19000/candy in Gujarat on average intakes of 12500 bales. J-34 prices remained slight down at Rs.1865-1890 in Haryana. In Punjab, it slight declined at Rs.1895-1940. The cotton prices have not much scope on the higher side as short term due to expectation of higher arrivals in the coming day.

INTERNATIONAL MARKET:

NYBOT cotton futures backpedaled on Monday. Most-active July cotton slipped 74 points to close at 49.26 cents a pound. In Pakistan, the KCA official spot rate remained unchanged at Rs 2700/maund, without upcountry expenses. Cotlook Cotton indexes were unchanged on Monday. North Europe A Index (2006-07 Crop) was steady at 57.25 cents/pound while North Europe B Index (2006-07 Crop) remained flat at 56.60 cents/pound. Far Eastern A Index (2006-07 Crop) was unchanged at 55.75 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures backpedaled on Monday on strong selling pressure and weak international market. Weak NYBOT cotton futures also supported to bearish tone. Futures market got up after firm opening on profit taking but tumbled thereafter on selling pressure. Most active MAY contract on NCDEX opened strong at Rs.452 and lost Rs.9.00 at Rs.442.10 and traded in the range of Rs.441-454.

PRICE DRIVERS:

1. Buyers remained inactive; No exports at present
2. Mostly weak international market: Declining dollar
3. Strong import by the Southern mills

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 bearish market for the next trading day. Stochastic is moving down 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 bearish market. Open interest as well as volume of trade significantly increased. Cotton prices are expected 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	442.10	446	450

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.444 with target towards Rs.438 and then Rs.436; 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	01.05.07	30.04.07	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	1830	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18600-19000	18500-18900	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14700-15200	14600-15000	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19300	19000-19200	-
Maharashtra	Y-1	Rs./Candy	17000-17500	17000-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19000-19300	19000-19300	-
Madhya Pradesh	Y-1	Rs./Candy	17500-17800	17500-17800	-

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