

COTTON DAILY

10th MAY, 2007

SPOT MARKETS:

In India, the overall cotton prices registered a considerable decline on the back of reduced demand from South Indian factories. South Indian factories have already imported around 2-lakh bales of cotton from the overseas market due to lower rate as rupee significantly increased against the dollar. According to sources, the cotton sellers are interested to sell unsold stocks but the textile mills, especially in Southern regions, already have more than enough stock of cotton yarn. On Wednesday, Shankar-6 (28mm) quoted steady at Rs.18500-18800/candy in Gujarat on steady intakes of 12000 bales. J-34 prices got steady at Rs.1870-1915/maund in Haryana. In Punjab, it traded slight weak Rs.1905-1955/maund with total arrivals were around 15,000 bales in the country. Total arrivals have now reached just above 25 million bales, which is a 15.4% year-on-year increase. Infact, the global cotton spot and futures prices were also maintaining bearish trend, which has been suppressing Indian cotton market. International Cotton Advisory Committee has estimated that the world cotton production during 2007-2008 periods will shrink. China's cotton production is anticipated to reduce to 65 lakh tons, next year. On the other hand, production in India will grow to 47 lakh tons and that of Pakistan is also likely to rise 5% to reach 22 lakh tons. India's cotton consumption will be around 26.7 million tons. However, world cotton production is estimated to tumble by half a percent to 25.22 MMt in 2007-08. According to a trade estimate, around 3-3.5 million metric tons (MMt) of cotton are in store. Till now, it has become difficult to sell Indian cotton in the international market due to weak international cotton prices. Therefore, cotton prices are expected to further slide down as 3-3.5 MMt of raw cotton may come during next few weeks.

INTERNATIONAL MARKET:

NYBOT cotton futures marginally increased on Tuesday triggered by speculative buying. Most active July cotton gained 10 points to close at 48.70 cents a pound after hitting of 49.19 cents, which was a one-week high. Cotlook Cotton indexes remained flat on Tuesday. North Europe A Index (2006-07 Crop) was unchanged at 56.35 cents/pound while North Europe B Index (2006-07 Crop) was flat at 55.75 cents/pound.

FUTURES MARKETS:

NCDEX cotton futures backpedaled on Wednesday amidst profit taking and increased selling pressure. Futures market tumbled after slight firm opening and settled at the negative territory. Most active MAY contract lost Rs.4.60 at Rs.441.90 after slight firm opening at Rs.446.60 and traded in the range of Rs.441.80-447.

PRICE DRIVERS:

1. Feeble demand from the South Indian millers
2. Increasing rupee against the dollar value, favouring import
3. Expectation of unsold stocks release

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 bearish market for the next trading day. Stochastic is turning down in neutral regions, hinting downward market. Prices closed below short term and medium term EMAs, indicates bearish market as medium term. But MACD is going up at negative zone. Besides, RSI is going down, suggesting weak market. Open interest as well as volume of trade significantly decreased. Kapas is 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	438	435	441.90	445	448

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.443 with target towards Rs.438 and then Rs.436; Put stop loss strictly above Rs.447. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	09.05.07	08.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1915	1915	-
Muktsar-Punjab	J-34	Rs./Maund	1965	1960	+5.00
Abohar- Punjab	J-34	Rs./Maund	1940	1940	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1855	+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	19000-19300	19000-19300	-
Maharashtra	Y-1	Rs./Candy	17000-17500	17000-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19000-19300	18900-19100	+100.00
Madhya Pradesh	Y-1	Rs./Candy	17600-17700	17500-17600	+100.00

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.