

COTTON DAILY

8th MAY, 2007

SPOT MARKETS:

The increasing trend of rupee against the dollar has affected the Indian export community in general and textile exporters in particular. Therefore the offtake by the textile spinners are reducing, which is affecting cotton prices. So, the cotton prices have gone down drastically. The spot price for cotton in Gujarat and Maharashtra has been declined 6% after the first week of April. According to an estimate, around 3-3.5 million metric tons (MMt) of cotton are in store. Besides, cotton plantation in north India is fast catching up with the initial holdups that had delayed the start of the process by 10-12 days. Cotton prices remained steady to slight weak in North India, Gujarat and Maharashtra market on Monday. But it was strong in M.P. on higher demand. In the mean time, the Pakistan Government has reportedly given the green signal for cotton imports from India through the land border at Wagah. On the other hand, USDA attaché said, China's 2007-08 cotton production is anticipated to slip 4% to 6.5 MMt. However, China's 2007-08 imports are expected to increase by 50% to 5 MMt, from 2006-07 levels, due to solid demand. A resumption of large-scale imports is expected in the final few months of 2006-07 and will continue into 2007-08, he said. Therefore it's likely to have positive impact in long run on the Indian cotton market as China is leading buyer of Indian cotton. In fact, 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. On Monday, Shankar-6 (28mm) quoted down at Rs.18500-18800/candy in Gujarat on higher intakes of 13000 bales. J-34 prices remained steady at Rs.1900-1925/maund in Haryana. In Punjab, it traded up Rs.1915-1965/maund with total arrivals were around 16,000 bales in the country. The prices are expected to further slide down as 3-3.5 MMt of raw cotton may come during next few weeks.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. In Pakistan, it was another day where there was not a single deal on the Karachi cotton market on Saturday in the absence of motivating factors. KCA official spot rate remained unchanged at Rs 2700/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton settled slight up on Monday amidst early buying support. Futures market went up after mostly strong opening on early buying support but fell down thereafter on selling pressure. Most active MAY contract gained Rs.0.60 at Rs.442.40 after firm opening at Rs.442.80 and traded in thin range of Rs.442.30-445.80.

PRICE DRIVERS:

1. Weaker dollar against Indian rupee; No new exports deal
2. Strong import by the Southern mills
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:

Candlesticks charts are hinting indecisive market for the next trading day. But Stochastic is going up in neutral regions, favouring the bulls. Prices closed below short term and medium term EMAs, indicates bearish market as medium term. But MACD is going up at negative zone and favouring the bulls as medium term. In addition, RSI is going up, hinting strong market. Open interest declined but volume of trade increased. Futures market is likely to remain up after weak opening with possibility of late downwards movement as short term.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	438	434	442.40	446	450

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.445 with target towards Rs.440 and then Rs.438; Put stop loss strictly above Rs.449. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	07.05.07	05.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1925	1925	-
Muktsar-Punjab	J-34	Rs./Maund	1965	1970	-5.00
Abohar- Punjab	J-34	Rs./Maund	1945	1950	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1865	1865	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18800	18700-18900	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15000-15500	15000-15500	-
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	17500-17600	17300-17500	+200.00

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