

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices extended their previous gains on Wednesday also in the North Indian markets as a result of fresh miller's demand and mostly weak arrivals. However it remained steady in the other major markets. Currently, lower stocks at the market yards kept pressure on cotton prices, traders said. Therefore, the ginner's were not hurry to sell their unsold stock as they have only 1.5-2 million bales of cotton, which could be sold in the short period of time. On the other hand, industry participants see a 15% increase in cotton acreage in Gujarat this season due to higher yields and good rate of returns to farmer. However, dollar has fallen on Wednesday against the Indian rupee. Presently, cotton is being imported on a large scale at the nominal levy of 10%. Currently, imports of 5-6 lakh bales are undertaken mainly in the ELS varieties of cotton, which is in short supply in the country. At present, the export was virtually blocked due to weak dollar and lower international market as compared to Indian market. On Wednesday, Shankar-6 (28mm) quoted steady at Rs.19200-19500/candy in Gujarat on steady intakes of 8,000 bales. J-34 prices climbed to Rs.1960-1995/maund in Haryana. In Punjab, it has increased to Rs.1995-2050/maund with total arrivals are reported to be around 11,000 bales in the country. Season to date total crop arrivals in India has reached above 25.62 million bales against the estimated production of 27-28 million bales. Besides, the government has already increased intervention prices of cotton. Cotton prices are likely to improve in the medium term on declining stocks and improving international market.

### INTERNATIONAL MARKET:

NYBOT cotton futures settled with slight losses on Tuesday amidst mild profit taking. July cotton futures slipped 24 points at 50.30 cents a pound. Cotlook Cotton indexes continued to increase on Tuesday. North Europe A Index (2006-07 Crop) climbed 65 points at 58.65 cents/pound while North Europe B Index (2006-07 Crop) surged 70 points at 57.60 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 70 points at 56.65 cents/pound. The KCA official spot rate remained flat at Rs 2650/maund, without upcountry expenses in Karachi.

### FUTURES MARKETS:

NCDEX cotton futures settled slight up on Wednesday in tandem with the spot market. Futures market went down after steady opening but profit taking pushed up the prices thereafter; though some weakness observed at the later session. Most active May contract added Rs.0.60 at Rs.445.60 after steady opening at Rs.445 and traded in the range of Rs.443-446.70.

### PRICE DRIVERS:

1. Improved demand as compared to reduced arrivals
2. Strengthening world cotton market; Declining stocks

### 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 showing slight strong market for the next trading day. However, Stochastic is going down in neutral regions, hints downward market. Prices closed just between short term and medium term EMAs, indicates short term steady market. MACD is going up at negative zone. Besides, RSI is indicating steady market. Open interest significantly declined but volume of trade increased. Kapas is likely to trade up after steady to weak opening with possibility of some downwards movement at the later session.

### NCDEX Kapas MAY Contract-2007



### SUPPORT / RESISTANCES:

### NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	443	440	445.60	449	452

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-May- Kapas above Rs.443 with target towards Rs.446.50 and then Rs.448. Put stop loss strictly below Rs.440.50. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	23.05.07	22.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1985	1975	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2050	2035	+15.00
Abohar- Punjab	J-34	Rs./Maund	2035	2025	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1940	1905	+35.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19200-19500	19200-19500	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15100-15800	15100-15800	-
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19300	19000-19300	-
Maharashtra	Y-1	Rs./Candy	17000-17500	17200-17700	-200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19200-19500	19200-19500	-
Madhya Pradesh	Y-1	Rs./Candy	17600-17800	17600-17800	-

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