

COTTON DAILY

14th MAY, 2007

SPOT MARKETS:

Cotton prices witnessed steady to slight down on Saturday at the domestic spot market on account of feeble buying demand from the exporters and South Indian millers as they have already imported around 2-lakh bales of cotton from the overseas market. A sharp increase in Indian rupee as compared to the dollar is keeping exporters away from the market. 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 Saturday, Shankar-6 (28mm) remained flat at Rs.18500-18800/candy in Gujarat on lower intakes of 10000 bales. J-34 prices were up at Rs.1905-1935/maund in Haryana. In Punjab, it traded up Rs.1915-1965/maund with total arrivals were around 15,000 bales in the country. Total arrivals have now reached just above 3,40,000 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. A shortage of around three million bales the local textile industry faces this year. Meanwhile, according to the latest WASDE report, the world 2007/08 projections show consumption increases outstripping production, resulting in a stocks decline of 8.5%. Production is forecast down slightly from 2006/07 at 116.0 million bales. World consumption is projected at 127.0 million bales, an increase of 4. However ICAC said, 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. Traders said, around 3-3.5 MMt of cotton are in store, which may reduce cotton prices during next few weeks.

INTERNATIONAL MARKET:

NYBOT cotton futures made new contract low on Friday amidst speculative and fund sales. Most-active July cotton slipped 92 points to close at 48.11 cents a pound. Cotlook Cotton indexes rose on Friday. North Europe A Index (2006-07 Crop) was up by 25 points at 56.95 cents/pound while North Europe B Index (2006-07 Crop) gained 25 points at 56.25 cents/pound. In Karachi, KCA official spot rate remained unchanged at Rs 2675/maund, without upcountry expenses

FUTURES MARKETS:

NCDEX cotton futures settled slight up on Saturday amidst buying interest and slight upward spot market. Futures market traded up after firm opening on increased buying support at lows but selling interest at highs forced the prices to get down at closing bell. Most active May contract finished up by Rs.1.70 at Rs.445.70 after firm opening at Rs.444.70 and traded in the range of Rs.443.50-446.70.

PRICE DRIVERS:

1. Limited demand from the millers & exporters
2. Strong rupee against the dollar value, favouring import
3. Exporters liquidate port stocks on 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 indecisive market for the next trading day. Stochastic is moving up after made bullish cut in neutral regions, indicating bullish market. Prices closed just between short term and medium term EMAs, indicates steady to downward market as medium term. But MACD is going up at negative zone, suggests upward market for medium term. Besides, RSI is suggesting upward market. Open interest declined but volume of trade remained slight down. Kapas is expected to trade up after slight weak 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	442	438	445.70	448	452

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.448 with target towards Rs.442 and then Rs.440; Put stop loss strictly above Rs.452. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	12.05.07	11.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1935	1920	+15.00
Muktsar-Punjab	J-34	Rs./Maund	1965	1965	-
Abohar- Punjab	J-34	Rs./Maund	1950	1945	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1870	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18800	18500-18800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14900-15400	14800-15300	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18800-19000	19000-19300	-200.00
Maharashtra	Y-1	Rs./Candy	16800-17300	17000-17500	-200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18200-18500	18500-18800	-300.00
Madhya Pradesh	Y-1	Rs./Candy	17300-17500	17600-17700	-300.00

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