

## COTTON DAILY

21<sup>st</sup> MAY, 2007

### SPOT MARKETS:

Moderate trading activity witnessed in the cotton market on Saturday due to modest demand from the buyers and millers against steady arrivals. Therefore the prices got up in Northern Indian and M.P. markets. The rupee is moving near its nine-year high as compared to the U.S. dollar at Rs.40.80-41.00. It has virtually blocked cotton exports from the country and created the import possibility. Therefore some exporters are forced to liquidate their port stocks due to weak overseas demand. The country's textile and apparel exporters are currently urged to the government for an increase in the DEPB rate of 3% across the board on all textile and apparel products. They thought that it would be used to equalize a portion of the rupee appreciation against the U.S. dollar. On the other hand, the Government has ruled out the demand of Maharashtra government to increase the import duty. Presently, cotton is being imported on a large scale at the nominal levy of 10%. Therefore it is affecting the domestic prices and interest of cotton cultivators. Currently, imports of 5-6 lakh bales are undertaken mainly in the ELS varieties of cotton, which is in short supply in the country. In addition, around 2.5-3 million bales of cotton are remaining in stock. On Saturday, Shankar-6 (28mm) was slight up at Rs.18600-18800/candy in Gujarat on steady intakes of 10,000 bales. J-34 prices were up at Rs.1920-1935/maund in Haryana. In Punjab, it traded up Rs.1925-1970/maund with total arrivals are reported to be around 14,000 bales in the country. Besides, the government has raised MSP for cotton. Cotton prices may rule lower in the short term on weakness in dollar, less demand and higher unsold stocks.

### INTERNATIONAL MARKET:

NYBOT cotton futures settled moderately up on Friday amidst speculative buying. Most-active July cotton added 17 points to close at 49.76 cents/pound. Cotlook Cotton indexes increased on Friday. North Europe A Index (2006-07 Crop) added 35 points at 57.55 cents/pound while North Europe B Index (2006-07 Crop) gained 30 points at 56.65 cents/pound. Far Eastern A Index (2006-07 Crop) increased by 35 points at 55.95 cents/pound. In Karachi, KCA official spot rate fell by Rs.25/maund to Rs.2650/maund, without upcountry expenses.

### FUTURES MARKETS:

NCDEX cotton futures fell on Saturday on aggressive selling in thin trading activity. Futures market tumbled down after weak opening and traded within the thin range. Most active May contract lost Rs.2.60 at Rs.446 after weak opening at Rs.448 and traded in the range of Rs.446-448.

### PRICE DRIVERS:

1. Moderate trading against the steady arrivals
2. Imports of 5-6 lakh bales are undertaken on weak dollar
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 favouring the bears for the next trading day. Stochastic is moving down in neutral regions, suggests weakness in the market. Prices closed just between short term and medium term EMAs, indicates steady to weak market may prevail. But MACD is going up at negative zone. Besides, RSI is turning down and favouring bears. Open interest was steady but volume of trade significantly declined. Kapas is likely to move down after weak opening with possibility of some upwards movement at the later session.

### NCDEX Kapas MAY Contract-2007



### SUPPORT / RESISTANCES:

#### NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	444	441	446	449	452

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-May- Kapas below Rs.447.50 with target towards Rs.444 and then Rs.442. Put stop loss strictly above Rs.449.50. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	19.05.07	18.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1945	1940	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1970	1965	+5.00
Abohar- Punjab	J-34	Rs./Maund	1960	1950	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1860	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18600-18800	18500-18700	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14900-15300	14900-15300	-
Maharashtra	Mech-I-29mm	Rs./Candy	18800-19000	18800-19000	-
Maharashtra	Y-1	Rs./Candy	16800-17300	16800-17300	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18900-19100	18800-19000	+100.00
Madhya Pradesh	Y-1	Rs./Candy	17500-17700	17400-17600	+100.00

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