

COTTON DAILY

11th MAY, 2007

SPOT MARKETS:

The overall sentiment for the cotton prices remained bearish on account of feeble demand from South Indian factories as they have already imported around 2-lakh bales of cotton from the overseas market due to lower rate as rupee significantly increased against the dollar. 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. However the prices remained steady to rangebound at most the domestic centre. On Thursday, 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 stable Rs.1905-1955/maund with total arrivals were around 16,000 bales in the country. Total arrivals have now reached just above 25 million bales, which is a 15.4% year-on-year increase. 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 settled slight up on Wednesday. Most-active July cotton gained 12 points to close at 48.82 cents/pound. Cotlook Cotton indexes remained strong. North Europe A Index (2006-07 Crop) was up by 35 points at 56.70 cents/pound while North Europe B Index (2006-07 Crop) gained 15 points at 55.90 cents/pound. Far Eastern A Index (2006-07 Crop) added 40 points at 55.20 cents/pound. In Karachi, KCA official spot rate has tumbled by Rs 25/maund at Rs 2675/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton futures settled slight down on Thursday. Futures market traded weak after bearish opening on early selling pressure but trade buying and profit taking at lower level forced the prices to up at the closing bell. Most active MAY contract lost Rs.0.10 at Rs.442 after weak opening at Rs.440.50 and traded in the range of Rs.438-442.

PRICE DRIVERS:

1. Limited demand from the millers
2. Strong 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 slight upward market for the next trading day. Stochastic is moving up in neutral regions, hinting slight strong 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 suggesting steady market. Open interest as well as volume of trade decreased. Kapas is expected to trade up after firm 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	435	442	446	449

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.441 with target towards Rs.445 and then Rs.447; Put stop loss strictly below Rs.438. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	10.05.07	09.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1915	1915	-
Muktsar-Punjab	J-34	Rs./Maund	1965	1965	-
Abohar- Punjab	J-34	Rs./Maund	1940	1940	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1860	-
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	19000-19300	-
Madhya Pradesh	Y-1	Rs./Candy	17600-17700	17600-17700	-

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