

COTTON DAILY

7th MAY, 2007

SPOT MARKETS:

Cotton prices strengthened in the North Indian market on Saturday on millers demand against the sluggish arrivals. However the prices witnessed steady undertone at the major centres. The sellers are less interested to sell their unsold stocks at that price level amidst declining stocks. Meanwhile, forward deals of cotton crop for fresh domestic season starting October 2007 got underway in North Indian markets Saturday. According to the USDA attaché, China's 2007-08 cotton production is anticipated to slip 4% to 6.5 million metric tons (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, the attaché reported. Therefore it's likely to have positive impact on the Indian cotton market as China is leading buyer of Indian cotton. However, lower dollar against the Indian rupee propelled up the import demand recently, therefore the demand from Southern India got weakened. 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 due to weak international cotton prices. On Saturday, Shankar-6 (28mm) quoted slight down at Rs.18700-18900/candy in Gujarat despite lower intakes of 11000 bales. J-34 prices increased to Rs.1900-1925/maund in Haryana. In Punjab, it traded up Rs.1900-1970/maund with total arrivals were around 15,000 bales in the country. The cotton prices have much scope on the higher side due to expectation of higher import demand from overseas market and declining stocks at the market.

INTERNATIONAL MARKET:

NYBOT cotton futures trade moderately bearish on Friday amidst light speculative sales. Most-active July cotton slipped 12 points to close at 48.28 cents a pound. In Karachi, KCA official spot rate continued to remain flat at Rs 2700/maund, without upcountry expenses. Cotlook Cotton indexes remained flat on Friday. North Europe A Index (2006-07 Crop) was unchanged at 56.35 cents/pound while North Europe B Index (2006-07 Crop) was flat at 55.75 cents/pound.

FUTURES MARKETS:

NCDEX cotton futures tumbled narrowly but were paring off losses in weekend trade Saturday. Futures market fell after firm opening on early selling pressure but profit taking at late hour pushed up the prices from day's low. Most active MAY contract lost Rs.0.30 at Rs.442.30 after firm opening at Rs.443 and traded in thin range of Rs.440.50-443.10.

PRICE DRIVERS:

1. Thin trading activity; No new exports deal at present
2. Downward world market: Strong import by the Southern mills
3. ICAC: Expectation of higher Chinese import demand

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 slight weak market for the next trading day. But Stochastic is moving up in neutral regions, favouring the bulls. Prices closed below short term and medium term EMAs, suggesting weakness in 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 firmness in market. Open interest as well as volume of trade decreased. Future market is likely to trade slight weak after firm opening with possibility of late upwards 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	442.30	446	450

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.440 with target towards Rs.445 and then Rs.448; Put stop loss strictly below Rs.435. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	05.05.07	04.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1925	1920	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1970	1960	+10.00
Abohar- Punjab	J-34	Rs./Maund	1950	1940	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1865	1865	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18700-18900	18800-19000	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15000-15500	14900-15400	+100.00
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	18900-19100	18900-19100	-
Madhya Pradesh	Y-1	Rs./Candy	17300-17500	17300-17500	-

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