

COTTON DAILY

18th MAY, 2007

SPOT MARKETS:

Indian cotton prices were steady at lower level on Thursday amidst sluggish trading activity. Lack of buyers at the market yards kept the market soft. Currently, appreciation of Indian rupee against the dollar has virtually blocked cotton exports from the country. Some exporters are forced to liquidate their port stocks due to weak overseas demand. According to sources, an Indian-based trading firm has contracted to import of around 3,200 metric tons of U.S. cotton for delivery in June and July. The import is basically for meeting additional domestic demand for finished products and weak dollar against the Indian rupee. In addition, around 3-3.5 million bales of cotton are remaining in stock, traders said. On Thursday, Shankar-6 (28mm) remained steady at Rs.18400-18700/candy in Gujarat on steady intakes of 11,000 bales. J-34 prices were flat at Rs.1915-1930/maund in Haryana. In Punjab, it traded stable Rs.1915-1965/maund with total arrivals are reported to be around 15,000 bales in the country. Old cotton crop arrivals remained at a brisk 244,000 bales during week ending May 12. On the other hand, cotton sowing has been started under the monsoon this week, with farmers in Gujarat taking to the fields two weeks earlier than usual on ample seed supply and hopes for timely rains. The sowing is expected to start in the other prominent cotton producing states like Maharashtra and A.P. in June. Cotton prices may rule lower in the short term on weakness in dollar, less demand and higher unsold stocks.

INTERNATIONAL MARKET:

NYBOT cotton futures hovered up on Wednesday amidst aggressive and bullish options buying. July cotton climbed 144 points to close at 49.19 cents a pound following made day's high at 50.20. Cotlook Cotton indexes rebounded to up on Wednesday. North Europe A Index (2006-07 Crop) climbed 50 points at 56.00 cents/pound while North Europe B Index (2006-07 Crop) added 40 points at 55.50 cents/pound. In addition, far Eastern A Index (2006-07 Crop) was up by 45 points at 54.40 cents/pound. The trading activity was modest in the Karachi cotton market on Wednesday. The KCA official spot rate was quoted steady at Rs 2675/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton futures traded up on Wednesday amidst profit taking and increased buying activity. Futures market got up after strong opening but traded within the thin range. Most active May contract gained Rs.1.80 at Rs.446.70 after firm opening at Rs.445.50 and traded in the range of Rs.445.50-447.

PRICE DRIVERS:

1. Modest demand against the steady arrivals
2. Trading firm contracted to import of 3200 Mt cotton
3. Exporters liquidate port stocks on mostly 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 hinting slight upward market for the next trading day. Stochastic is moving up after made a bullish cut in neutral regions, suggesting strong market. Prices closed just between short term and medium term EMAs, indicates steady to weak market may continue. MACD is going up at negative zone, hints upward market for medium term. Besides, RSI is also moving up and favouring bulls. Open interest significantly declined but volume of trade promisingly increased. Kapas is likely to trade up after firm 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	444	441	446.70	450	455

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.446 with target towards Rs.450 and then Rs.452 Put stop loss strictly below Rs.443. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	17.05.07	16.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1935	1935	-
Muktsar-Punjab	J-34	Rs./Maund	1965	1965	-
Abohar- Punjab	J-34	Rs./Maund	1950	1950	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1860	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18400-18700	18400-18700	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-
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	18800-19000	18800-19000	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.