

COTTON DAILY

5th MAY, 2007

SPOT MARKETS:

Cotton prices remained steady to slight up Friday amidst lacklustre trading activity. The sellers are not interested to sell their unsold stocks at that price level amidst declining stocks. Thin buying activity by the small mills also observed. According to the ICAC, China's cotton imports are estimated up by 1 million metric tons (MMt) to 3.9 MMt in 2007/08, it could drive international cotton trade up 9% to 9.1 MMt. Imports by Turkey are estimated stable whereas imports by Bangladesh and Indonesia are likely to rise slightly. But, China's cotton imports in 2006/07 may fall on year because of slower growth in demand for Chinese textile products resulting from a strengthening yuan. 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 Friday, Shankar-6 (28mm) quoted steady at Rs.18800-19000/candy in Gujarat on stable intakes of 13000 bales. J-34 prices increased to Rs.1900-1920/maund in Haryana. In Punjab, it traded steady Rs.1895-1960/maund with total arrivals were around 18,000 bales in the country. Besides, Maharashtra Cotton Federation increased their selling price by Rs.300 for new crop from April 11 and prices were on a firm trend and ruling between Rs.18,300-19,600/candy for 28-30 mm. But, the cotton prices have not much scope on the higher side due to weak international market and weakness in dollar.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled in thin trading activity on Thursday amidst speculative sales. Most active July cotton slipped 22 points to finish at 48.40 cents/pound. Cotlook Cotton indexes recovered. North Europe A Index (2006-07 Crop) was up by 35 points at 56.35 cents/pound while North Europe B Index (2006-07 Crop) surged 35 points at 55.75 cents/pound. Far Eastern A Index (2006-07 Crop) gained 35 points at 54.80 cents/pound. In Karachi, KCA official spot rate continued to remain flat at Rs 2700/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX Kapas futures recovered on buying support at lower level on Friday. Futures market hovered up after mostly weak opening on buying interest amidst steady to slight firm spot market. Most active MAY contract gained Rs.2.70 at Rs.443 after weak opening at Rs.438.30 and hovered in the range of Rs.438.30-443.

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 indicating bullish market for the next trading day. Stochastic is moving up after made a bullish cut in neutral regions, favouring the bulls. Prices closed below short term and medium term EMAs, indicating weakness in market as medium term. But MACD is going up at negative zone and indicating strong market as medium term. In addition, RSI is going up, hinting firmness in market. Open interest increased but volume of trade decreased. Cotton prices are likely 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	440	435	443	446	450

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.441 with target towards Rs.445 and then Rs.448; 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	04.05.07	03.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1920	1915	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1960	1960	-
Abohar- Punjab	J-34	Rs./Maund	1940	1940	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1865	1860	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18800-19000	-
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	18900-19100	18900-19100	-
Madhya Pradesh	Y-1	Rs./Candy	17300-17500	17300-17500	-

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