

COTTON DAILY

1st JUNE, 2007

SPOT MARKETS:

Cotton prices maintained steady sentiment on Thursday in Gujarat and Western Markets due to lower arrivals coupled with steady demand. But the prices remained steady to slight down in North Indian markets amidst feeble demand. In fact, lower stocks at the market yards are providing underline support to the market. Therefore, the ginners were not hurry to sell their unsold stock as they have only 1-1.5 million bales of cotton, which could be sold in the short period of time. Above 25.93 million bales of cotton have reached so far in the market against the estimated production of 27-28 million bales. Currently, forthcoming southwest monsoon in India is pulling down cotton demand. Besides, exports from India had virtually blocked as the Indian rupee rose sharply against the dollar because of sustained foreign fund inflows. Traders said, millers have contracted to import of around 50,000 metric tonnes of cotton for delivery in June, July and August at the nominal levy of 10%. On Thursday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on lower intakes of 6,000 bales. J-34 prices plunged to Rs.1920-1965/maund in Haryana. In Punjab, it traded slight down at Rs.1975-2030/maund with total arrivals are reported to be lower at around 8,000 bales in the country. Cotton planting in India is progressing well under comparatively favourable weather conditions. Monsoon which matter much for cotton season is touched India's southern coast this week and then spread to Maharashtra and Gujarat cotton areas. In the next couple of months prospects of cotton production in prominent countries would affect cotton market. Cotton prices are likely to remain steady in near future on dwindling supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures settled at the positive territory on Wednesday. July cotton futures gained 37 points at 50.40 cents a pound. Cotlook Cotton Indexes fell. North Europe A Index (2006-07 Crop) lost 40 points at 58.55 cents/pound. Far Eastern A Index (2006-07 Crop) was down by 40 points at 56.75 cents/pound. Far Eastern E Index (Forward Quotation) lost 55 points at 60.60 cents/pound. The KCA official spot rate remained flat at Rs.2650/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX Kapas futures traded strong on Thursday amidst buying interest. The market hovered up after mostly weak opening. Most active March-2008 contract gained Rs.0.90 at Rs.421 after mostly weak opening at Rs.419 and traded in the range of Rs.419-421. Near month May expired at Rs.447.50, down Rs.1.70 and traded in between Rs.447.50-450.10.

PRICE DRIVERS:

1. Lower arrivals against the slow demand
2. Declining stocks; Sowing pressure
3. Weak demand from South India; Exports remaining blocked

WEATHER:

Late winter rain in north India has provided favourable soil moisture and irrigation for cotton now being planted in this area.

TECHNICALS: NCDEX Kapas March Contract-2008

Candlestick is indicating strong market for the next trading day. Prices closed above 9-day and 12-day EMA, suggesting short term bullish market. Open interest significantly increased but volume of trade declined as compared to last day, did not support the market's trend. Kapas is likely to trade up after steady to firm weak opening with possibility of some downwards movement at the later session.

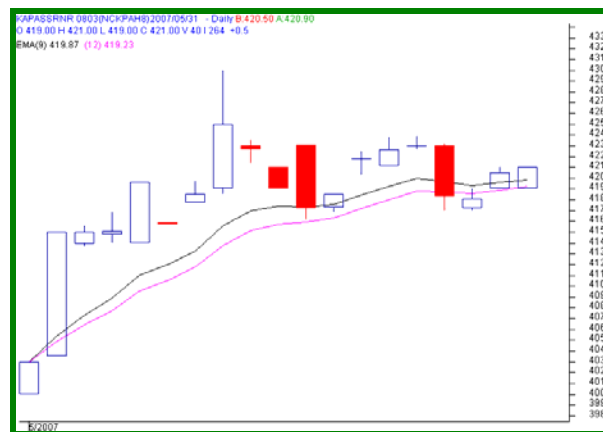
OUTLOOK:

Short Term (1 Week): Steady to slight up on improving demand and declining stocks.

Medium Term (1 Month): Recover likely on dwindles supplies and expectation of improve international market.

Long Term (3 Months): Steady to slight up possible on growing demand from China, Pakistan.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	419	416	421	424	426

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH- Kapas above Rs.419.50 with target towards Rs.422 and then Rs.424. Put stop loss strictly below Rs.418. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	31.05.07	30.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1960	1970	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2030	2030	-
Abohar- Punjab	J-34	Rs./Maund	2000	2010	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1920	1930	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18900-19300	18900-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-16200	15200-16200	-
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	19200-19500	19200-19500	-
Madhya Pradesh	Y-1	Rs./Candy	17600-17800	17600-17800	-

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