

COTTON DAILY

23rd MAY, 2007

SPOT MARKETS:

Cotton shoots up on Tuesday at most of the domestic spot market on account of fresh miller's demand and lower arrivals. Besides, strengthening in the international cotton prices also provided some underlying support to the Indian cotton market. In addition, declining stocks is creating shortage in the market. Around 1.5-2 million bales of cotton are remaining in stocks, traders said. On the other hand, industry participants see a 15% increase in cotton acreage in Gujarat this season due to higher yields and good rate of returns to farmer. In fact, the Government has ruled out the demand of Maharashtra government to increase the import duty on cotton from the current 10% due to strong import amidst weak dollar against the Indian rupee. However, dollar has improved on Tuesday against the Indian rupee. Presently, cotton is being imported on a large scale at the nominal levy of 10%. Currently, imports of 5-6 lakh bales are undertaken mainly in the ELS varieties of cotton, which is in short supply in the country. On Tuesday, Shankar-6 (28mm) climbed to Rs.19200-19500/candy in Gujarat on steady intakes of 8,000 bales. J-34 prices soared to Rs.1950-1985/maund in Haryana. In Punjab, it surged to Rs.1980-2035/maund with total arrivals are reported to be around 12,000 bales in the country. Season to date total crop arrivals in India has reached above 25.62 million bales against the estimated production of 27-28 million bales. Besides, the government has already increased intervention prices of cotton. Cotton prices are likely to improve in the medium term on declining stocks and improving international market.

INTERNATIONAL MARKET:

NYBOT cotton futures hovered up and settled at near the session high and at a fresh four-week high on Monday. July cotton futures climbed 79 points at 50.55 cents/pound. Cotlook Cotton indexes climbed. North Europe A Index (2006-07 Crop) soared by 45 points at 58 cents/pound while North Europe B Index (2006-07 Crop) climbed 25 points at 56.90 cents/pound. Far Eastern A Index (2006-07 Crop) was unchanged at 55.95 cents/pound. The KCA official spot rate remained flat at Rs 2650/maund, without upcountry expenses in Karachi.

FUTURES MARKETS:

NCDEX cotton futures recovered and settled slight down on Tuesday amidst profit taking and buying support at the lower price levels due to firm spot market. Futures market traded volatile after mostly weak opening and recovered at late hour. Most active May contract lost Rs.0.10 at Rs.445.80 after mostly bearish opening at Rs.444.10 and traded in the range of Rs.444.10-446.80.

PRICE DRIVERS:

1. Growing demand against the lower arrivals
2. Recovery in the world cotton market; Declining stocks

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 favouring the bulls for the next trading day. However, Stochastic is going down in neutral regions, suggests bearish sentiment. Prices closed just between short term and medium term EMAs, indicates short term steady market. MACD is going up at negative zone. Besides, RSI is turning up and favouring bulls. Open interest as well as volume of trade decreased. Kapas is expected to trade up after steady to firm opening with possibility of some downwards movement at the later session.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|--------|-----|-----|
| MAY | 443 | 440 | 445.80 | 449 | 452 |

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.445 with target towards Rs.448.50 and then Rs.450. Put stop loss strictly below Rs.442.50. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 22.05.07 | 21.05.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1975 | 1965 | +10.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 2035 | 2020 | +15.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 2025 | 2010 | +15.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1905 | 1895 | +10.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 19200-19500 | 18800-19200 | +400.00 |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 15100-15800 | 15000-15800 | +100.00 |
| Maharashtra | Mech-I-29mm | Rs./Candy | 19000-19300 | 18800-19200 | +200.00 |
| Maharashtra | Y-1 | Rs./Candy | 17200-17700 | 17000-17500 | +200.00 |
| Madhya Pradesh | Mech-I-29mm | Rs./Candy | 19200-19500 | 19000-19300 | +200.00 |
| Madhya Pradesh | Y-1 | Rs./Candy | 17600-17800 | 17600-17700 | - |

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