

COTTON DAILY

9th MAY, 2007

SPOT MARKETS:

Cotton prices remained lower in the North Indian markets Tuesday on reduced demand from the millers; however it stayed almost steady at previous level in the Western markets on dearth of demand. Increasing trend of rupee against the dollar has affected the Indian export community in general and textile exporters in particular. Therefore the offtake by the textile spinners are reducing, which is affecting cotton prices. So, the cotton prices have gone down drastically. The spot price for cotton in Gujarat and Maharashtra has been declined 6% after the first week of April. On Tuesday, Shankar-6 (28mm) quoted steady at Rs.18500-18800/candy in Gujarat on lower intakes of 12000 bales. J-34 prices remained down at Rs.1870-1915/maund in Haryana. In Punjab, it traded down Rs.1910-1960/maund with total arrivals were around 15,000 bales in the country. Total arrivals have now reached just above 25 million bales, which is a 15.4% year-on-year increase. According to an estimate, around 3-3.5 million metric tons (MMt) of cotton are in store. In the mean time, the Pakistan Government has reportedly given the green signal for cotton imports from India through the land border at Wagah. In fact, 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. On the other hand, ICAC said, production due to both area and yield is anticipated to rise slightly in India to a record 4.7 MMt and cotton consumption is also expected to be up from this year's 4 MMt to 4.2 MMt in 2007-08. However, world cotton production is estimated to tumble by half a percent to 25.22 MMt in 2007-08. Currently, cotton prices are expected to further slide down as 3-3.5 MMt of raw cotton may come during next few weeks.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Monday amidst mix of trade and speculative buying. Most-active July cotton climbed 32 points to close at 48.60 cents/pound. In Karachi, lackluster trading activity was observed on Monday. KCA official spot rate continued to remain flat at Rs 2700/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton futures settled moderately up Tuesday on early buying pressure and strong NYBOT cotton market. Futures market hovered up after bullish opening on strong buying support but tumbled from day's high on selling interest at upper level and finally settled at positive territory. Most active MAY contract gained Rs.4.30 at Rs.447 after firm opening at Rs.443.50 and hovered in the range of Rs.443.50-450.

PRICE DRIVERS:

1. Dearth of demand; Weak international market
2. Weak dollar against rupee, favouring import
3. Expectation of unsold stocks release

WEATHER:

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

TECHNICALS:

Candlesticks are predicting slight weak sentiments for the next trading day. But Stochastic is going up in neutral regions, hinting bullish market. Prices closed in between short term and medium term EMAs, indicates steady to bearish 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, suggesting upward market. Open interest declined but volume of trade significantly increased. Kapas is likely to remain down after weak 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	444	440	447	450	453

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.449 with target towards Rs.444 and then Rs.442; Put stop loss strictly above Rs.453. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	08.05.07	07.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1915	1925	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1960	1965	-5.00
Abohar- Punjab	J-34	Rs./Maund	1940	1945	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1855	1865	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18800	18500-18800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14900-15400	15000-15500	-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	19000-19300	-100.00
Madhya Pradesh	Y-1	Rs./Candy	17500-17600	17500-17600	-

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