

COTTON DAILY

22nd MAY, 2007

SPOT MARKETS:

Cotton prices hovered up on Monday at the domestic spot market of North India, Gujarat, Maharashtra and M.P. on the back of fresh ginner's demand and declined arrivals. However the rupee was moved near its nine-year high as compared to the U.S. dollar at Rs.40.60. It has virtually blocked cotton exports from the country and created the import possibility. The country's textile and apparel exporters are currently urged to the government for an increase in the Duty Entitlement Pass Book (DEPB) rate of 3% across the board on all textile and apparel products. They thought that it would be used to equalize a portion of the rupee appreciation against the U.S. dollar. On the other hand, the Government has ruled out the demand of Maharashtra government to increase the import duty on cotton from the current 10%. Presently, cotton is being imported on a large scale at the nominal levy of 10%. Therefore it is affecting the domestic prices and interest of cotton cultivators. Currently, imports of 5-6 lakh bales are undertaken mainly in the Extra Long Staple (ELS) varieties of cotton, which is in short supply in the country. In addition, around 1.5-2 million bales of cotton are remaining in stock, traders said. On Monday, Shankar-6 (28mm) got up to Rs.18800-19200/candy in Gujarat on mostly lower intakes of 8,000 bales. J-34 prices climbed at Rs.1935-1970/maund in Haryana. In Punjab, it surged to Rs.1975-2020/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 at 25.62 million bales during week ending May 12. Besides, the government has raised MSP for common grades or medium staple cotton at Rs.18,000/ton from Rs.17,700/ton. The MSP for long staple cotton has been fixed at Rs.20,300/ton from Rs.19,900/ton. Cotton prices are likely to improve in the medium term on declining stocks.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday for weekend holiday. In Karachi, sluggish trading was witnessed due to lack of sellers at the market yards. KCA official spot rate remained unchanged at Rs.2650/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton futures extended earlier weakness Monday also on selling interest and weak fundamentals. Therefore futures market opened mostly weak and recovered thereafter but fell on selling interest at day's high though some recovery in prices was observed at late hour. Most active May contract lost Rs.1.20 at Rs.445 after mostly weak opening at Rs.444 and traded in the range of Rs.443-446.

PRICE DRIVERS:

1. Fresh demand against the lower arrivals
2. Imports of 5-6 lakh bales are undertaken on weak dollar
3. Weakening market 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 indicating indecisive market for the next trading day. Stochastic is moving down after made bearish cut in neutral regions, suggests bearish sentiment. Prices closed just below short term and medium term EMAs, indicates short term bearish. MACD is going up at negative zone. Besides, RSI is going down and favouring bears. Open interest as well as volume of trade significantly increased. Kapas is likely to trade soft after steady to weak opening with possibility of some upwards movement at the later session.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	441	438	445	447	451

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.446 with target towards Rs.442 and then Rs.440. Put stop loss strictly above Rs.449. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.05.07	19.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1965	1945	+20.00
Muktsar-Punjab	J-34	Rs./Maund	2020	2000	+20.00
Abohar- Punjab	J-34	Rs./Maund	2010	1990	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1895	1875	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19200	18600-18800	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15000-15800	14900-15300	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18800-19200	18800-19000	-
Maharashtra	Y-1	Rs./Candy	17000-17500	16800-17300	+200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19000-19300	18900-19100	+100.00
Madhya Pradesh	Y-1	Rs./Candy	17600-17700	17500-17700	+100.00

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