

COTTON DAILY

12th MAY, 2007

SPOT MARKETS:

Market sentiments for cotton prices were rangebound to steady on Friday at the domestic spot market on account of feeble buying demand from the exporters and South Indian millers as they have already imported around 2-lakh bales of cotton from the overseas market. A sharp increase in Indian rupee as compared to the dollar is keeping exporters away from the market. Some exporters are forced to liquidate their port stocks due to weak overseas demand. On Wednesday, the dollar closed at Rs.40.92 from Rs.40.85 of Tuesday's close. It has risen to a fresh nine-year high of Rs.40.55 on Monday due to weak foreign fund inflows. The local millers may import large quantities of cotton to cash in on the rupee's rise. On Friday, Shankar-6 (28mm) remained flat at Rs.18500-18800/candy in Gujarat on steady intakes of 12000 bales. J-34 prices were steady at Rs.1870-1915/maund in Haryana. In Punjab, it traded flat Rs.1905-1955/maund with total arrivals were around 17,000 bales in the country. Total arrivals have now reached just above 25 million bales, which is a 15.4% year-on-year increase. On the other hand, the first forward sales of the 2007/08 cotton crop have begun. The most significant sales have occurred in Punjab, where J-34 varieties have sold at Rs.1816-1851/maund for October-2007 delivery. Besides, ICAC has estimated that the world cotton production during 2007-2008 periods will shrink. Production in India will grow to 47 lakh tons and that of Pakistan is also likely to rise 5% to reach 22 lakh tons. India's cotton consumption will be around 26.7 million tons. Traders said, around 3-3.5 MMt of cotton are in store, which may reduce cotton prices during next few weeks.

INTERNATIONAL MARKET:

NYBOT cotton futures climbed on Thursday amidst speculative buying. Most-active July surged 21 points to finish at 49.03 cents/pound. Cotlook Cotton indexes remained steady to strong. North Europe A Index (2006-07 Crop) was unchanged at 56.70 cents/pound while North Europe B Index (2006-07 Crop) gained 10 points at 56.00 cents/pound. Far Eastern A Index (2006-07 Crop) was flat at 55.20 cents/pound. In Karachi, the KCA official spot rate was flat at Rs 2675/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton futures settled up on Friday. Futures market traded firm after bearish opening on increased buying support at lower levels. Most active May contract finished up by 0.49% at Rs.444 after weak opening at Rs.441.10 and traded in the range of Rs.441-444.50.

PRICE DRIVERS:

1. Feeble demand from the millers & exporters
2. Strong rupee against the dollar value, favouring import
3. Exporters liquidate port stocks on weak world market

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 bulls dominated the market. Stochastic is moving slightly down in neutral regions. The %K line on the verge of making bearish croaaover with %D line, hinting possibility of downward movement at medium term. Prices closed just below short term and medium term EMAs,. But MACD is going up at negative zone. Besides, RSI is suggesting steady market. Kapas is expected to trade up after firm opening.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|-----|-----|-----|
| MAY | 440 | 435 | 444 | 450 | 454 |

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.443 with target towards Rs.448 and then Rs.450; Put stop loss strictly below Rs.440. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 11.05.07 | 10.05.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1910 | 1915 | -5.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 1965 | 1965 | - |
| Abohar- Punjab | J-34 | Rs./Maund | 1945 | 1940 | +5.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1870 | 1860 | +10.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 18500-18800 | 18500-18800 | - |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 14800-15300 | 14900-15400 | -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 | 19000-19300 | 19000-19300 | - |
| Madhya Pradesh | Y-1 | Rs./Candy | 17600-17700 | 17600-17700 | - |

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