

COTTON DAILY

19th MAY, 2007

SPOT MARKETS:

Dull trading activity observed in the cotton market on Friday on due to feeble demand from the buyers and millers against steady arrivals. Currently, strength of Indian rupee against the dollar has virtually blocked cotton exports from the country and created the import possibility. Some exporters are forced to liquidate their port stocks due to weak overseas demand. An Indian-based trading firm has contracted to import of around 3,200 metric tons of U.S. cotton for delivery in June and July. The import is basically for meeting additional domestic demand for finished products and weak dollar against the Indian rupee. In addition, around 2.5-3 million bales of cotton are remaining in stock, traders said. On Friday, Shankar-6 (28mm) remained slight up at Rs.18500-18700/candy in Gujarat on lower intakes of 10,000 bales. J-34 prices were flat at Rs.1915-1930/maund in Haryana. In Punjab, it traded stable Rs.1915-1965/maund with total arrivals are reported to be around 15,000 bales in the country. Season to date total crop arrivals in India has reached at 25.62 million bales during week ending May 12, with 9 million bales of this total arrived from Gujarat. Besides, the government has raised the intervention price for cotton for the marketing year that begins in October 2007. The MSP for common grades or medium staple cotton has set 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 may rule lower in the short term on weakness in dollar, less demand and higher unsold stocks.

INTERNATIONAL MARKET:

NYBOT cotton futures climbed on Thursday on the back of moderate speculative buying. Most-active July cotton surged 40 points to close at 49.59 cents a pound. Cotlook Cotton indexes extended their previous gains on Thursday also. Therefore North Europe A Index (2006-07 Crop) surged 120 points at 57.20 cents/pound while North Europe B Index (2006-07 Crop) climbed 85 points at 56.35 cents/pound. In addition, far Eastern A Index (2006-07 Crop) has increased by 120 points at 55.60 cents/pound. In Karachi, KCA official spot rate continued to remain flat at Rs 2675/maund, without upcountry expenses.

FUTURES MARKETS:

NCDEX cotton futures extended previous strength on Friday amidst profit taking and increased buying. Futures market hovered up after weak opening but short covering at day's high pulled down the prices later. Most active May contract gained Rs.1.80 at Rs.448.50 after weak opening at Rs.446.50 and traded in the range of Rs.445.80-450.70.

PRICE DRIVERS:

1. Lackluster trading against the steady arrivals
2. Weakness in dollar favouring import of cotton
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 slight upward market for the next trading day. Stochastic is going up in neutral regions, hints strong market. Prices closed just above short term and medium term EMAs, indicates steady market. MACD is going up at negative zone, suggests strong market for medium term. Besides, RSI is also moving up and favouring bulls. Open interest as well as volume of trade declined. Kapas is likely to trade slight up after firm opening with possibility of late downwards movement.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	444	441	448.50	452	455

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-May- Kapas below Rs.451 with target towards Rs.446 and then Rs.444. Put stop loss strictly above Rs.454. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	18.05.07	17.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1940	1935	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1965	1965	-
Abohar- Punjab	J-34	Rs./Maund	1950	1950	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1860	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18500-18700	18400-18700	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14900-15300	14800-15300	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	18800-19000	18800-19000	-
Maharashtra	Y-1	Rs./Candy	16800-17300	16800-17300	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	18800-19000	18800-19000	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17600	17400-17600	-

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