

COTTON DAILY

29th MAY, 2007

SPOT MARKETS:

Cotton prices witnessed steady sentiment on Monday in Gujarat and Western Markets on the back of limited demand from the South Indian cotton mills against the steady arrivals. However the prices plunged in North Indian markets on weak demand. Currently, lower stocks at the market yards are providing underline support to the market. However, the ginners were not hurry to sell their unsold stock as they have only 1.5-2 million bales of cotton, which could be sold in the short period of time. Above 25.93 million bales of cotton have reached so far in the market against the estimated production of 27-28 million bales. At present, the export was virtually blocked due to weak dollar and lower international market as compared to Indian market. Traders said, millers have contracted to import of around 50,000 metric tonnes of cotton for delivery in June, July and August at the nominal levy of 10%. On Monday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on steady intakes of 8,000 bales. J-34 prices declined to Rs.1950-1985/maund in Haryana. In Punjab, it has decreased at Rs.1990-2040/maund with total arrivals are reported to be around 11,000 bales in the country. However, an early monsoon will cause growers to move quickly to destroy old crop stocks and plant new crops. Besides, Pakistan's cotton import from India is projected to be at about 3.5 million bales during this marketing year on the back of strong demand from the textile and spinning sectors. Thus, cotton prices are likely to improve in near future on dwindling supplies and improving international market.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. Cotlook Cotton indexes remained firm on Friday. North Europe A Index (2006-07 Crop) gained 60 points at 58.15 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 60 points at 56.45 cents/pound. Besides, Far Eastern E Index (Forward Quotation) climbed 65 points at 60.25 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures tumbled on Monday amidst strong selling pressure at upper level and weak sport market. Therefore futures market opened slight weak but fell down thereafter. However, Kapas May-2007 contract settled up though prices slipped from day's high on profit taking. Most active March-2008 contract lost Rs.4.80 at Rs.418.30 after slight weak opening at Rs.423 and traded in the range of Rs.417-423.20. Near month May traded in between Rs.442-457 and settled Rs.2.50 up at Rs.450.30.

PRICE DRIVERS:

1. Limited trading against the steady arrivals
2. Declining stocks
3. Weak demand from exporters as well South India

WEATHER:

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

TECHNICALS: NCDEX Kapas March Contract-2008

Candlestick is indicating that bears are dominating the market. Prices closed below both 9-day and 12-day EMA, hinting short term bearish market. Open interest was steady where as volume of trade increased, supporting the market's trend. Kapas is likely to remain soft after steady to weak opening with possibility of some upwards movement at the later session.

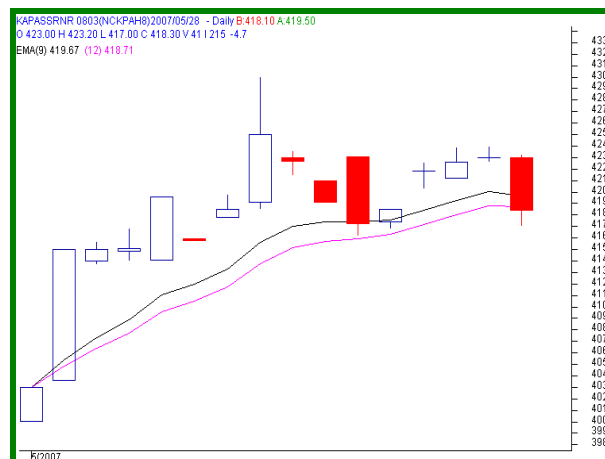
OUTLOOK:

Short Term (1 Week): Steady to slight up on improving demand and declining stocks.

Medium Term (1 Month): Recover likely on dwindles supplies and expectation of improve international market.

Long Term (3 Months): Steady to slight up possible on growing demand from China, Pakistan.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	415	412	418.30	421	424

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-MARCH- Kapas below Rs.420 with target towards Rs.416 and then Rs.414. Put stop loss strictly above Rs.423. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	28.05.07	26.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1975	1980	-5.00
Muktsar-Punjab	J-34	Rs./Maund	2045	2055	-10.00
Abohar- Punjab	J-34	Rs./Maund	2025	2035	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1920	1930	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18900-19300	18900-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-16000	15200-16000	-
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	19200-19400	19200-19400	-
Madhya Pradesh	Y-1	Rs./Candy	17500-17700	17500-17700	-

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