

COTTON DAILY

25th MAY, 2007

SPOT MARKETS:

Cotton prices firmed up again on Thursday in the North Indian markets due to fresh miller's demand and mostly weak arrivals. However it remained steady in the other major markets. Currently, lower stocks at the market yards kept pressure on cotton prices, traders said. Therefore, 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. In addition, above 25.6 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 Thursday, Shankar-6 (28mm) quoted steady at Rs.19200-19500/candy in Gujarat on steady intakes of 8,000 bales. J-34 prices increased to Rs.1970-2005/maund in Haryana. In Punjab, it has rose to Rs.2000-2060/maund with total arrivals are reported to be around 11,000 bales in the country. Besides, the government has already increased intervention prices of cotton. On the other hand, industry participants see a 15% increase in cotton acreage in Gujarat this season due to higher yields and good rate of returns to farmer. Cotton prices are likely to improve in the medium term on declining stocks and improving international market.

INTERNATIONAL MARKET:

NYBOT cotton futures backpedaled on Wednesday due to lack of bullish fundamental news. May cotton futures have slipped 106 points at 49.26 cents/pound. Prices settled near the session low. Cotlook Cotton indexes backpedaled on Wednesday. North Europe A Index (2006-07 Crop) fell 10 points at 58.15 cents/pound while North Europe B Index (2006-07 Crop) lost 10 points at 57.50 cents/pound. Far Eastern A Index (2006-07 Crop) was down by 10 points at 56.55 cents/pound. The KCA official spot rate was quoted flat at Rs 2650/maund, without upcountry expenses in Karachi.

FUTURES MARKETS:

NCDEX cotton futures closed at the positive territory Thursday on profit taking and strong spot market. Market hovered up after weak opening but selling interest at day's high forced the prices to go down; however it settled up as compared to previous day's closing price. Most active May contract gained Rs.1.40 at Rs.446.90 after weak opening at Rs.444.20 and traded in the range of Rs.444.20-448.50.

PRICE DRIVERS:

1. Increased demand against the lower arrivals
2. Strengthening world cotton market
3. Weakening 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 hinting upward market for the next trading day. Stochastic is going up after made bullish cut in neutral regions, supporting strong market. Prices closed just between short term and medium term EMAs, indicates short term steady market. MACD is moving up at negative zone. Besides, RSI is indicating strong market. Open interest as well as volume of trade significantly declined. Kapas is likely to trade strong following a steady to weak opening with possibility of some downwards movement at the later session.

NCDEX Kapas MAY Contract-2007



SUPPORT / RESISTANCES:

NCDEX Kapas MAY Contract 2007

Month	S1	S2	PCP	R1	R2
MAY	445	442	446.90	449	452

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-May- Kapas above Rs.445.50 with target towards Rs.448.50 and then Rs.450. Put stop loss strictly below Rs.443.50. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	24.05.07	23.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1995	1985	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2055	2050	+5.00
Abohar- Punjab	J-34	Rs./Maund	2045	2035	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1950	1940	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19200-19500	19200-19500	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15100-15800	15100-15800	-
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	19200-19500	19200-19500	-
Madhya Pradesh	Y-1	Rs./Candy	17600-17800	17600-17800	-

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