

## COTTON DAILY

6<sup>th</sup> JUNE, 2007

### SPOT MARKETS:

Fresh buying demand dragged up the cotton prices on Tuesday in the North Indian cotton markets. However the markets remained standstill at the other major markets on stable demand supply. Presently, reducing stocks at the market yards are underpinning the cotton prices. The ginners have only 1-1.3 million bales of cotton, which could be sold in the short period of time. In addition, above 26 million bales of cotton have already arrived in the market against the estimated production of 27-28 million bales in 2006-07. Meanwhile, cotton production is expected to go up to 30 million bales in 2007-08 with indications of more area coming under the crop in the North India and use of genetically modified seeds. On the other hand, exports has virtually blocked in the country as the Indian rupee increased sharply against the dollar because of sustained foreign fund inflows. On Tuesday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on stable intakes of 6,000 bales. However, J-34 prices were up at Rs.1940-1980/maund in Haryana. In Punjab, it traded up at Rs.1995-2055/maund with total arrivals are reported to be slight down at around 8,000 bales in the country. For the marketing year 2007-08, cotton planting in India is progressing well under comparatively favourable weather conditions. The cotton sowing in Northern States like Punjab, Haryana and Rajasthan have already started and in the next one month it will start in Gujarat, Maharashtra and Madhya Pradesh followed by Southern States like Andhra Pradesh, Karnataka and Tamil Nadu. As of May 23, nearly 80% of sowing had been completed in Northern region. In fact, cotton prices are likely to remain steady to up as short term on dwindling supplies and usual domestic demand.

### INTERNATIONAL MARKET:

NYBOT cotton futures smartly fell down on Monday and settled near the session low. July cotton futures lost 49 points at 49.99 cents/pound. Cotlook Cotton Indexes slipped. North Europe A Index (2006-07 Crop) lost 35 points at 59.10 cents/pound. Far Eastern A Index (2006-07 Crop) slid 35 points at 57.25 cents/pound. Far Eastern E Index (Forward Quotation) slipped 15 points at 61.55 cents/pound. In Karachi, KCA official spot has fell by Rs.25/maund to Rs.2600/maund.

### FUTURES MARKETS:

NCDEX Kapas futures recovered early losses on Tuesday amidst mild buying support at lower rates. Futures market surged after steady opening. Most active March-2008 contract gained Rs.2 at Rs.421.50 after steady opening at Rs.419.50 and traded in the range of Rs.419.50-421.50.

### PRICE DRIVERS:

1. Increased buying in North India against few arrivals
2. Reducing stocks; Sowing pressure & higher acreage
3. Weak demand from South India; No exports at present

### 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 upward market for the next trading day. Prices closed just above 9-day and 15-day EMA, indicating short term mild bullish market. Open interest increased but volume of trade significantly decreased. Kapas is likely to trade slight up after steady to firm opening with possibility of some downwards movement at the later session.

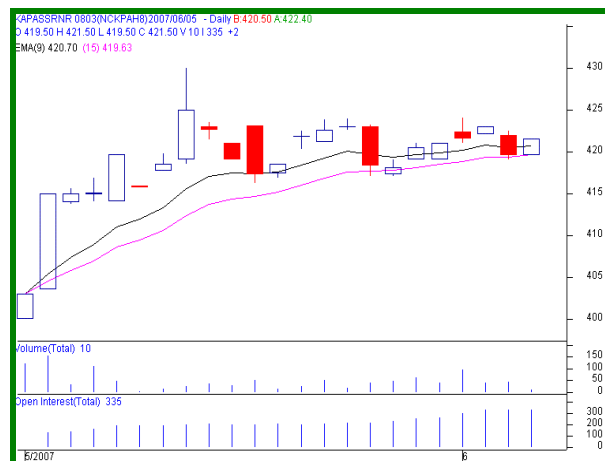
### OUTLOOK:

**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	418	415	421.50	423	425

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-MARCH-Kapas below Rs.422.50 with target towards Rs.419.50 and then Rs.418. Put stop loss strictly above Rs.424.50. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	05.06.07	04.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1985	1975	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2055	2045	+10.00
Abohar- Punjab	J-34	Rs./Maund	2025	2015	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1930	1925	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18900-19300	18900-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15300-16500	15300-16500	-
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	17500-17800	17500-17800	-

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