

COTTON DAILY

20th JUNE, 2007

SPOT MARKETS:

Market sentiment for cotton prices continued to remain flat on Tuesday at most of the trading centre on stable demand supply and tight stocks. Market is keenly watching the progress of southwest monsoon over the mainland and also eyeing on the sowing progress. Sowing of cotton so far this year has been higher than in the same period last year. Planting is estimated at 1.52 million hectare from May 1 to June 15 as compared to 1.46 mln ha in the same period last year. In case of Bt cotton, the area has increased to 868,000 hectare during the same period. On the other hand, the stockists have only around 0.50 to 1 million bales of cotton, which will be sold in the short period of time. Besides, cotton exports from the country have virtually blocked due to appreciation of Indian Rupee against the US dollar and increasing demand for the imported long staple cotton by the mills. On Tuesday, Shankar-6 (28mm) quoted steady at Rs.18800-19000/candy in Gujarat on steady intakes of 6,000 bales. J-34 prices were flat at Rs.1925-1980/maund in Haryana. In Punjab, it traded stable at Rs.1970-2035/maund with total arrivals are reported to be at around 8,000 bales in the country. Presently, China has released new import quota over 5 million bales. In addition, Pakistan has allowed the import of long staple cotton through land route from India, said a commerce ministry notification. On Tuesday, Pakistan's Commerce Ministry has permitted the import of 3 million bales of cotton from India via road. It would reduce the cost of import and help the local textile industry to enhance its production. In fact, cotton prices are likely to recover for short term on improving international market and dwindle of supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures slipped on Monday following hitting a fresh 11-week high early in the session. July cotton slid 9 points at 54.83 cents/pound. Cotlook Cotton Indexes increased. North Europe A Index (2006-07 Crop) gained 75 points at 63.45 cents/pound. Far Eastern A Index (2006-07 Crop) added 75 points at 61.40 cents/pound. Far Eastern E Index (Forward Quotation) added 45 points at 64.65 cents/pound. In Karachi, KCA official spot rate remained flat at Rs.2600/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled at the positive territory on Tuesday. However market tumbled after mostly bullish opening on strong selling pressure. Most active March contract settled slight up Rs.0.60 at Rs.419.40 after mostly firm opening at Rs.427 and traded within Rs.417.50-427.

PRICE DRIVERS:

1. Steady demand in North Indian market on tight stocks
2. Higher acreage than last year
3. No exports at present; Strengthening international market
4. Pakistan allows import of cotton by road from India

WEATHER:

Improvement in monsoon is enhancing the sowing and providing favourable soil moisture.

TECHNICALS: NCDEX Kapas March Contract-2008

Candlestick is indicating strongly bearish market. Prices closed just below 9-day and 15-day EMA, suggesting short term bearish market. Open interest slight decreased but volume of trade improved. Stochastic is indicating weak market where as RSI hints upward market. Kapas is to be trade slight down 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 reducing stocks.

Medium Term (1 Month): Recover likely on dwindle supplies and improving international market.

Long Term (3 Months): Steady to up possible on fresh demand from China, Pakistan as well as domestic market.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	417	414	419.40	422	425

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.417.50 with target towards Rs.420.50 and then Rs.421.50. Put stop loss strictly below Rs.415.50. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	19.06.07	18.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1970	1970	-
Muktsar-Punjab	J-34	Rs./Maund	2035	2035	-
Abohar- Punjab	J-34	Rs./Maund	2015	2015	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1915	1915	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18800-19000	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15300-15600	15300-15600	-
Maharashtra	Mech-I-29mm	Rs./Candy	19100-19300	19100-19300	-
Maharashtra	Y-1	Rs./Candy	17100-17400	17100-17400	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19200-19400	19200-19400	-
Madhya Pradesh	Y-1	Rs./Candy	17500-17800	17500-17800	-

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