

COTTON DAILY

5th JUNE, 2007

SPOT MARKETS:

Cotton prices remained almost steady to flat on Monday at most of the spot markets on stable demand supply scenario. Presently, declining stocks at the market yards are keeping pressure on the spot prices. The ginners have only 1-1.3 million bales of cotton, which could be sold in the short period of time. Above 26 million bales of cotton have already reached in the market against the estimated production of 27-28 million bales. However, exports from India has virtually blocked as the Indian rupee rose sharply against the dollar because of sustained foreign fund inflows. On Monday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on stable intakes of 7,000 bales. J-34 prices were flat at Rs.1930-1975/maund in Haryana. In Punjab, it traded steady at Rs.1990-2035/maund with total arrivals are reported to be steady at around 9,000 bales in the country. Cotton planting in India is progressing well under comparatively favourable weather conditions. In the next couple of months prospects of cotton production in prominent countries would affect cotton market. Besides, ICAC said, world cotton production is expected to decline by 1% to 25.1 MMt in 2007/08, and world mill use is estimated to raise by 2.6% to 26.8 MMt. China, India Pakistan and other Asian countries is expected contribute 55% of world cotton production in 2007/08, up from 53% in 2006/07, and for 76% of world mill use in 2007/08, up from 74% in 2006/07. Cotton production in India is likely to be bumper in the crop year 2007-2008 (Oct-Sep) as farmers are willing to cultivate on larger area. Also, improved seed availability and agricultural know-how too contribute to higher production. In fact, cotton prices are likely to remain steady in near future on dwindling supplies.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday for weekend holiday. In Pakistan, moderate trading was observed on Saturday in the Karachi cotton market amidst fresh buying by the as prices were matching with their psychological levels. However, the Karachi Cotton Association (KCA) official spot rate has declined by Rs.25/maund to Rs.2625/maund, without upcountry expenses. Some deals were stuck between Rs.2500-2525/maund.

FUTURES MARKETS:

NCDEX Kapas futures plunged on Monday amidst strong selling pressure. Futures market went up after weak opening but tumbled thereafter on increased selling. Most active March-2008 contract lost Rs.3.50 at Rs.419.50 after weak opening at Rs.421.90 and traded in the range of Rs.419-422.50.

PRICE DRIVERS:

1. Stable demand supply scenario
2. Reducing stocks; Sowing pressure & higher acreage
3. Feeble demand from South India; Exports remaining blocked

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 favouring the bears for the next trading day. Prices closed between 9-day and 15-day EMA, indicating short term bearish market. Open interest as well as volume of trade increased. Kapas is likely to trade soft after steady to weak opening with possibility of some upwards movement at the later session.

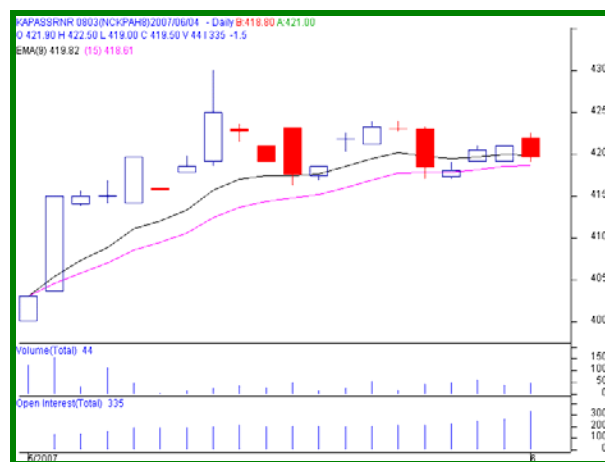
OUTLOOK:

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	416	414	419.50	422	425

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-MARCH-Kapas below Rs.420 with target towards Rs.417 and then Rs.415. Put stop loss strictly above Rs.422. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	04.06.07	02.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1975	1970	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2045	2035	+10.00
Abohar- Punjab	J-34	Rs./Maund	2015	2015	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1925	1920	+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	-

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.