

COTTON DAILY

15th JUNE, 2007

SPOT MARKETS:

Cotton prices fell marginally on Thursday in North India and Gujarat market on lack of buyers at the markets despite tight stocks and with the renewed strength in NYBOT cotton futures apparently having had no impact. Market keenly awaited the progress of southwest monsoon over the mainland as the monsoon rains are crucial for the sowing of main cotton. The acreage this marketing year has been higher than average because the farmers are sowing cotton in place of peanuts in the western Indian state of Gujarat. On the other hand, more than 26 million bales of cotton have already hit the market out of the totalled production of 27-28 million bales in 2006-07. 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 Thursday, Shankar-6 (28mm) quoted down at Rs.18700-18900/candy in Gujarat on steady intakes of 6,000 bales. J-34 prices were down at Rs.1925-1980/maund in Haryana. In Punjab, it traded weak at Rs.1960-2030/maund with total arrivals are reported to be at around 8,000 bales in the country. 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 M.P. followed by Southern States like A.P., Karnataka and Tamil Nadu. Besides, China has released new import quota over 5 million bales. In addition, USDA said, world production in 2007/08 is virtually unchanged, and higher world consumption partially offsets the larger beginning stocks. Beginning stocks are raised in Pakistan due to historical revisions in production, but are lowered in China due to a reduction in imports for 2006/07.

INTERNATIONAL MARKET:

NYBOT cotton futures soared on Wednesday. July cotton futures surged 75 points at 52.85 cents/pound. Cotlook Cotton Indexes backpedaled. North Europe A Index (2006-07 Crop) lost 30 points at 60.80 cents/pound. Far Eastern A Index (2006-07 Crop) was down by 40 points at 58.65 cents/pound. Besides, Far Eastern E Index (Forward Quotation) lost 35 points at 62.45 cents/pound. In Karachi, KCA official spot rate remained flat at Rs. 2600/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded bearish Thursday on thin volume of trade amidst lack of buyers and sellers. Market fell after weak opening. Most active March contract settled down Rs.3.50 at Rs.417.60 after mostly weak opening at Rs.418.10 and traded within Rs.417.30-418.10.

PRICE DRIVERS:

1. Weak demand in North Indian market despite tight stocks
2. Sowing pressure & higher acreage
3. Strong import on weakness in dollar; No exports at present

WEATHER:

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

TECHNICALS: NCDEX Kapas March Contract-2008

Candlestick is indicating bearish trend of the market. Prices closed far below 9-day and 15-day EMA, hints short term bearish market. Open interest as well as volume of trade remained weak. Stochastic and RSI is sharply indicating to weak market. Kapas is to be trade bearish after steady to weak opening with possibility of some upwards movement at the later session.

OUTLOOK:

Short Term (1 Week): Rangebound with 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 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	414	412	417.60	419	422

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-MARCH-Kapas below Rs.418 with target towards Rs.415 and then Rs.413. Put stop loss strictly above Rs.420. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	14.06.07	13.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1965	1970	-5.00
Muktsar-Punjab	J-34	Rs./Maund	2020	2030	-10.00
Abohar- Punjab	J-34	Rs./Maund	2015	2020	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1920	1920	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18700-18900	18800-19000	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-16400	15300-16500	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19200	19000-19200	-
Maharashtra	Y-1	Rs./Candy	17000-17400	17000-17400	-
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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