

## COTTON DAILY

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

### SPOT MARKETS:

In North India, the old cotton crop prices are remaining at strong side due to mostly tight stocks. However the markets remained continued to 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. Above 26 million bales of cotton have already arrived in the market out of 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 have virtually blocked in the country as the Indian rupee increased sharply against the dollar because of sustained foreign fund inflows. On Wednesday, 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.1945-1985/maund in Haryana. In Punjab, it traded up at Rs.2000-2065/maund with total arrivals are reported to be slight down at around 7,000 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 climbed and hit a fresh six-week high on Tuesday. July cotton futures rocked up 181 points to close at 51.80 cents/pound. Cotlook Cotton Indexes declined. North Europe A Index (2006-07 Crop) lost 20 points at 58.90 cents/pound. Far Eastern A Index (2006-07 Crop) slid 20 points at 57.05 cents/pound. Far Eastern E Index (Forward Quotation) slipped 50 points at 61.05 cents/pound. In Karachi, KCA official spot restricted at Rs.2600/maund.

### FUTURES MARKETS:

NCDEX Kapas futures fell on mild selling pressure and traded within the thin range on Wednesday. Futures market slight increased after steady opening but tumbled thereafter. Most active March contract lost Rs.1 at Rs.420.50 after steady opening at Rs.421.50 and traded within Rs.420.50-422.

### PRICE DRIVERS:

1. Moderate buying in North India against tight stocks
2. Weak 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 hinting slight weak market for the next trading day. Prices closed just between 9-day and 15-day EMA, indicating short term steady market. Open interest as well as volume of trade slight increased. RSI and Stochastic are favouring the bears. 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):** 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	418	415	420.50	423	425

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-MARCH-Kapas below Rs.421.50 with target towards Rs.418.50 and then Rs.417. Put stop loss strictly above Rs.423.50. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	06.06.07	05.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1990	1985	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2060	2055	+5.00
Abohar- Punjab	J-34	Rs./Maund	2035	2025	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1940	1930	+10.00
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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