

COTTON DAILY

9th JUNE, 2007

SPOT MARKETS:

Indian cotton prices were flat to slight down at most of the trading centre on Friday amidst lacklustre buying interest from local millers and few export deals. However, reports of good initial sowing in North India like Rajasthan, Punjab and Haryana for the new crop season starting September 2007 has negatively affect on the cotton market. Presently, reducing stocks at the market yards are underpinning the cotton prices. The ginner have only 1 million bales of cotton so far, 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 Friday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on stable intakes of 7,000 bales. However, J-34 prices were stable at Rs.1945-1985/maund in Haryana. In Punjab, it traded steady at Rs.2000-2065/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 expected to decline further after the monsoon arrives in main cotton growing states of Maharashtra and Gujarat.

INTERNATIONAL MARKET:

NYBOT cotton futures settled marginally up and closed nearer the session high on Thursday. July cotton futures gained 21 points at 51.76 cents/pound. Cotlook Cotton Indexes slid. North Europe A Index (2006-07 Crop) slipped 5 points at 60.60 cents/pound. Far Eastern A Index (2006-07 Crop) was down by 10 points at 58.70 cents/pound. Besides, Far Eastern E Index (Forward Quotation) slid 10 points at 62.45 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 Friday. Futures market declined after weak opening. Most active March contract lost Rs.1.50 at Rs.421 after weak opening at Rs.422 and traded within Rs.420.20-422.

PRICE DRIVERS:

1. Lacklustre buying in North India against tight stocks
2. Weak stocks; Sowing pressure & higher acreage
3. Improving international market; 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 favouring the bears for the next trading day. Prices closed just above 9-day and 15-day EMA, indicating short term steady market. Open interest increased but volume of trade decreased. RSI and Stochastic are favouring the bears. Kapas is likely to trade weak 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	421	423	425

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-MARCH-Kapas below Rs.422 with target towards Rs.419 and then Rs.417. Put stop loss strictly above Rs.424. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	08.06.07	07.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1990	1990	-
Muktsar-Punjab	J-34	Rs./Maund	2055	2060	-5.00
Abohar- Punjab	J-34	Rs./Maund	2035	2035	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1930	1930	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18900-19100	-100.00
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	17000-17400	17000-17500	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19200-19400	19200-19500	-
Madhya Pradesh	Y-1	Rs./Candy	17400-17700	17500-17800	-100.00

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