

COTTON DAILY

16th JUNE, 2007

SPOT MARKETS:

Cotton prices remained steady to slight up on Friday in North India and Gujarat market on tight stocks and sowing pressure; however 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. Planting of cotton so far this year has been higher than in the same period last year. The planting from May 1 to June 15 is estimated at 1.52 million hectare 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, 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 Friday, Shankar-6 (28mm) quoted slight up at Rs.18800-19000/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.1970-2035/maund with total arrivals are reported to be at around 8,000 bales in the country. Besides, China has released new import quota over 5 million bales. In Pakistan, around 47,500 bales of raw cotton have already arrived in the country whereas more imports under May orders are in the pipeline. In case of cotton lint, India and United States dominated the market's volumes during May 2007, according to sources. In fact, cotton prices are likely to recover for short term on improving international market and dwindle of supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures climbed on Thursday. July cotton futures climbed 156 points to close at 54.00 cents a pound. Cotlook Cotton Indexes soared on Thursday. North Europe A Index (2006-07 Crop) climbed 85 points at 61.50 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 80 points at 59.45 cents/pound. Besides, Far Eastern E Index (Forward Quotation) added 75 points at 63.20 cents/pound. In Karachi, KCA official spot rate remained flat at Rs. 2600/maund.

FUTURES MARKETS:

NCDEX Kapas futures recovered on Friday in thin trading activity with some fresh buying. Market went up after mostly strong opening. Most active March contract settled up Rs.2.40 at Rs.420 after mostly firm opening at Rs.419 and traded within Rs.419-420.50.

PRICE DRIVERS:

1. Steady demand in North Indian market despite tight stocks
2. Higher acreage than last year
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 to upward market for the next trading day. Prices closed just below 9-day and 15-day EMA, hints short term bearish market. Open interest as well as volume of trade slight improved. Stochastic and RSI is indicating to recovery in the market. Kapas is to be trade up after steady to weak opening with possibility of some downwards 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 | 418 | 416 | 420 | 423 | 425 |

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.419 with target towards Rs.422 and then Rs.423. Put stop loss strictly below Rs.417. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 15.06.07 | 14.06.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1970 | 1965 | +5.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 2035 | 2020 | +15.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 2015 | 2015 | - |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1915 | 1920 | -5.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 18800-19000 | 18700-18900 | +100.00 |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 15300-15600 | 15200-15400 | +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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