

COTTON DAILY

22nd JUNE, 2007

SPOT MARKETS:

Cotton prices were strong on Thursday at most of the trading point on the back of some fresh demand from the buyers against the tight stocks. However, higher acreage than last year and expectation of higher output are negatively affecting on the market sentiment, traders said. Sowing of cotton so far this year has been higher than in the same period last year. Planting is estimated at 1.52 million hectare from May 1 to June 15 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, the stockists have only around 0.50 to 1 million bales of cotton, which will be sold in the short period of time. On Thursday, Shankar-6 (28mm) quoted up at Rs.18900-19200/candy in Gujarat on lower intakes of 5,000 bales. J-34 prices were up at Rs.1945-1995/maund in Haryana. In Punjab, it traded steady at Rs.1965-2035/maund with total arrivals are reported to be at around 6,000 bales in the country. India's monsoon rains have reached some parts of the cotton producing region of the western province of Maharashtra. In Gujarat, it is expected to be covered by monsoon in the next five days. Presently, China has released new import quota over 5 million bales. In addition, Pakistan has allowed the import of long staple cotton through land route from India, said a commerce ministry notification. Pakistan's Commerce Ministry has permitted the import of 3 million bales of cotton from India via road. It would reduce the cost of import and help the local textile industry to enhance its production. In fact, cotton prices are likely to recover for short term on improving international market and dwindle of supplies.

INTERNATIONAL MARKET:

NYBOT December cotton futures skyrocketed on Wednesday and hitting a 9 1/2-month high. Most active December cotton surged 232 points to close at 61.42 cents while July cotton climbed 145 points at 55.75 cents. Cotlook Cotton Indexes slipped. North Europe A Index (2006-07 Crop) lost 35 points at 62.85 cents/pound. Far Eastern A Index (2006-07 Crop) lost 30 points at 60.90 cents/pound. Besides, Far Eastern E Index (Forward Quotation) lost 10 points at 64.05 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures skyrocketed on Thursday amidst strong buying support and firm spot market. Market hovered up after steady opening. Most active March contract climbed Rs.5.20 at Rs.423.80 after steady opening at Rs.418.60 and hovered within Rs.418.10-425.

PRICE DRIVERS:

1. Some fresh demand against the tight stocks
2. Increasing planting than last year
3. Improving international market
4. Pakistan allows import of cotton by road from India

WEATHER:

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

TECHNICALS: NCDEX Kapas March Contract-2008

Candlestick is indicating strongly bullish market. Prices closed above 9-day and 15-day EMA, suggesting short term bullish market. Open interest as well as volume of trade improved. Stochastic is indicating strong market and RSI is also hints upward 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	422	420	423.80	425	427

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.422 with target towards Rs.425 and then Rs.427. Put stop loss strictly below Rs.421. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.06.07	20.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1975	1970	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2035	2030	+5.00
Abohar- Punjab	J-34	Rs./Maund	2015	2015	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1935	1925	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18900-19200	18800-19000	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15300-15600	15300-15600	-
Maharashtra	Mech-I-29mm	Rs./Candy	19300-19700	19100-19300	+200.00
Maharashtra	Y-1	Rs./Candy	17500-17700	17100-17400	+400.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19600-19800	19200-19400	+400.00
Madhya Pradesh	Y-1	Rs./Candy	17800-18000	17500-17800	+300.00

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