

COTTON DAILY

14th JUNE, 2007

SPOT MARKETS:

The cotton prices were observed steady to down on Wednesday at most of the domestic spot market as buyers and sellers were on the sidelines. However, lower stock around 1 million bales were kept the market on steady side, traders noted. On the other hand, good initial sowing due to favourable monsoon in North India like Rajasthan, Punjab and Haryana for the new crop season starting September 2007 has negatively affected on the cotton market. According to trade sources, 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 Wednesday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on steady intakes of 6,000 bales. However, J-34 prices were flat at Rs.1945-1980/maund in Haryana. In Punjab, it traded steady at Rs.1995-2045/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. In addition, USDA said, world production in 2007/08 is virtually unchanged, and higher world consumption partially offsets the larger beginning stocks. Accordingly, ending stocks are raised about 0.5 million bales from last month's estimate. 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. In fact, cotton prices are expected to decline further in near future.

INTERNATIONAL MARKET:

NYBOT cotton futures backpedaled on Tuesday. Most active July cotton slipped 32 points to close at 51.60 cents/pound. Cotlook Cotton Indexes soared. North Europe A Index (2006-07 Crop) gained 50 points at 61.10 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 35 points at 59.05 cents/pound. Besides, Far Eastern E Index (Forward Quotation) added 35 points at 62.80 cents/pound. In Karachi, KCA official spot rate remained flat at Rs. 2600/maund.

FUTURES MARKETS:

NCDEX Kapas futures continued to trade down on Wednesday on thin volume of trade amidst lack of buyers and sellers. Market fell after weak opening. Most active March contract settled down Rs.2.10 at Rs.419 after weak opening at Rs.420 and traded within Rs.418.60-420.

PRICE DRIVERS:

1. Sluggish trading in North Indian market against 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 favouring the bears for the next trading day. Prices closed below 9-day and 15-day EMA, indicates short term bearish market. Open interest marginally increased but volume of trade slight increased. Stochastic and RSI is sharply indicating to weak market. Kapas is to be 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	416	414	419	421	423

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-MARCH-Kapas below Rs.420 with target towards Rs.417 and then Rs.416. Put stop loss strictly above Rs.422. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	13.06.07	12.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1970	1980	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2030	2045	-15.00
Abohar- Punjab	J-34	Rs./Maund	2020	2025	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1920	1930	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18800-19000	18800-19000	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15300-16500	15300-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	19000-19200	19000-19300	-
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	17400-17700	+100.00

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