

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices improved in the North Indian markets on mild fresh demand from the millers against the lower arrivals. However it remained rangebound with steady in the other major markets on stable demand supply scenario. In fact, lower stocks at the market yards are providing underline support to the market. It is fact that the ginnerers are not hurry to sell their unsold stock as they 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 reached so far in the market against the estimated production of 27-28 million bales. However, exports from India had virtually blocked as the Indian rupee rose sharply against the dollar because of sustained foreign fund inflows. On Saturday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on stable intakes of 7,000 bales. J-34 prices quoted slight up at Rs.1930-1975/maund in Haryana. In Punjab, it traded slight up at Rs.1990-2035/maund with total arrivals are reported to be steady at around 9,000 bales in the country. Cotton planting in India is progressing well under comparatively favourable weather conditions. In the next couple of months prospects of cotton production in prominent countries would affect cotton market. Besides, ICAC said, world cotton production is expected to decline by 1% to 25.1 MMt in 2007/08, and world mill use is estimated to raise by 2.6% to 26.8 MMt. China, India Pakistan and other Asian countries is expected contribute 55% of world cotton production in 2007/08, up from 53% in 2006/07, and for 76% of world mill use in 2007/08, up from 74% in 2006/07. In fact, cotton prices are likely to remain steady in near future on dwindling supplies.

### INTERNATIONAL MARKET:

NYBOT cotton futures backpedaled on Friday amidst profit taking and settled near the session lows. July cotton slipped 57 points at 50.48 cents. Cotlook Cotton Indexes climbed. North Europe A Index (2006-07 Crop) gained 50 points at 59.45 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 50 points at 57.60 cents/pound. Far Eastern E Index (Forward Quotation) added 60 points at 61.70 cents/pound. The KCA official spot rate remained flat at Rs.2650/maund.

### FUTURES MARKETS:

NCDEX Kapas futures settled at the positive territory on Saturday amidst mild buying support. Futures market opened firm and got up thereafter and traded within the thin range. Most active March-2008 contract gained Rs.1.50 at Rs.423 after strong opening at Rs.422 and traded in the range of Rs.422-423.

### PRICE DRIVERS:

1. Steady arrivals against the improved demand
2. Depleting stocks; Sowing pressure
3. Feeble demand from South India; Exports remaining blocked

### 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 bulls for the next trading day. Prices closed above 9-day and 12-day EMA, indicating short term bullish market. Open interest increased while volume of trade significantly decreased. Kapas is likely to trade bullish after steady to firm weak opening with possibility of some downwards movement at the later session.

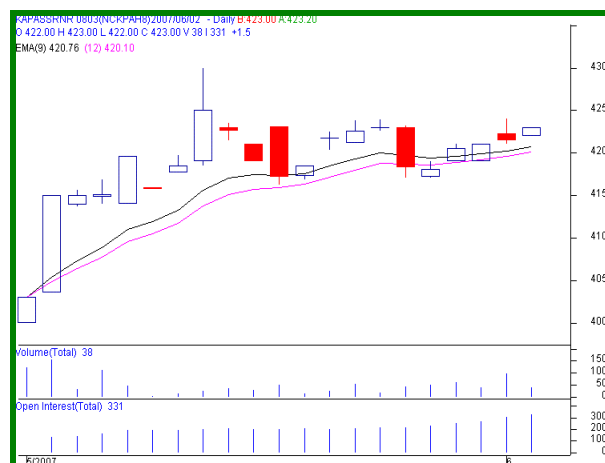
### OUTLOOK:

**Short Term (1 Week):** Steady to slight up on improving demand and 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 growing demand from China, Pakistan.

### NCDEX Kapas March Contract-2008



### SUPPORT / RESISTANCES:

#### NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	421	418	423	425	427

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-MARCH- Kapas above Rs.422 with target towards Rs.425 and then Rs.426. Put stop loss strictly below Rs.420. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	02.05.07	01.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1970	1960	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2035	2025	+10.00
Abohar- Punjab	J-34	Rs./Maund	2015	2005	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1920	1910	+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	15300-16300	-
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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