

## COTTON DAILY

2<sup>nd</sup> JUNE, 2007

### SPOT MARKETS:

Rangebound with steady sentiment for cotton prices was observed in the cotton market on Friday due to almost steady arrivals coupled with limited demand. In fact, lower stocks at the market yards are providing underline support to the market. Therefore, the ginners were not hurry to sell their unsold stock as they have only 1-1.5 million bales of cotton, which could be sold in the short period of time. Above 25.93 million bales of cotton have reached so far in the market against the estimated production of 27-28 million bales. Currently, forthcoming southwest monsoon in India is pulling down cotton demand. Besides, exports from India had virtually blocked as the Indian rupee rose sharply against the dollar because of sustained foreign fund inflows. Traders said, millers have contracted to import of around 50,000 metric tonnes of cotton for delivery in June, July and August at the nominal levy of 10%. On Friday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on higher intakes of 7,000 bales. J-34 prices quoted steady to slight up at Rs.1930-1965/maund in Haryana. In Punjab, it traded slight up at Rs.1985-2025/maund with total arrivals are reported to be slight up 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. MAHAFED has cut its selling prices by Rs.800-1100/candy for the 2006-07 season crops as compared to Rs.200-600/candy of 2005-06 due to lower market prices than the federation's asking rates. Cotton prices are likely to remain steady in near future on dwindling supplies.

### INTERNATIONAL MARKET:

NYBOT cotton futures hovered up on Thursday and closed at the session highs. July cotton futures climbed 67 points at 51.05 cents/pound. Cotlook Cotton Indexes recovered. North Europe A Index (2006-07 Crop) gained 40 points at 58.95 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 35 points at 57.10 cents/pound. Besides, Far Eastern E Index (Forward Quotation) added 50 points at 61.10 cents/pound. The KCA official spot rate remained flat at Rs.2650/maund.

### FUTURES MARKETS:

NCDEX Kapas futures settled up on Friday amidst early buying support. Futures market opened mostly firm and got up thereafter but trimmed earlier gains at the closing bell. Most active March-2008 contract gained Rs.1.30 at Rs.421.50 after mostly strong opening at Rs.422.30 and traded in the range of Rs.421-424.

### PRICE DRIVERS:

1. Lower arrivals against the limited demand
2. Declining stocks; Sowing pressure
3. Weak 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 bears for the next trading day. Prices closed just above 9-day and 12-day EMA, suggesting short term bullish market. Open interest as well as volume of trade significantly increased, support the market's trend. Kapas is likely to trade soft after steady to firm weak opening with possibility of some upwards 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	420	417	421.50	424	426

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-MARCH- Kapas below Rs.423 with target towards Rs.420 and then Rs.418. Put stop loss strictly above Rs.425. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	01.06.07	31.05.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1960	1960	-
Muktsar-Punjab	J-34	Rs./Maund	2025	2030	-5.00
Abohar- Punjab	J-34	Rs./Maund	2005	2000	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1910	1920	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	18900-19300	18900-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15300-16300	15200-16200	+100.00
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	17600-17800	-100.00

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