

COTTON DAILY

12th JUNE, 2007

SPOT MARKETS:

Indian cotton prices declined on Monday in the North Indian markets on weak demand against the dwindle supplies. However the prices were flat at other trading centre amidst lacklustre buying interest from local mills against lower arrivals. In addition, reports of good initial sowing in North India like Rajasthan, Punjab and Haryana for the new crop season starting September 2007 has negatively affect on the cotton market. Presently, dwindling stocks at the market yards are providing underline support. The ginner have only around 1 million bales of cotton so far, which could be sold in the short period of time. Above 26 million bales of cotton have already arrived in the market out of the estimated production of 27-28 million bales in 2006-07. In fact, cotton exports from the country have declined sharply as very few fresh contracts were entered into during the last few weeks due to appreciation of Indian Rupee against the US dollar and increasing demand for the imported long staple cotton by the mills. On Monday, Shankar-6 (28mm) quoted stable at Rs.18900-19300/candy in Gujarat on lower intakes of 6,000 bales. However, J-34 prices were down at Rs.1945-1980/maund in Haryana. In Punjab, it traded slight down at Rs.1995-2045/maund with total arrivals are reported to be at around 8,000 bales in the country. For the marketing year 2007-08, cotton planting in India is progressing well under comparatively favourable weather conditions. 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 Madhya Pradesh followed by Southern States like Andhra Pradesh, Karnataka and Tamil Nadu. In fact, cotton prices are expected to decline further in near future.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the cotton trading remained complete lull in the Karachi market on Saturday due to Pre-budget session because most of the buyers were on the sidelines waiting for the budget announcement. KCA official spot rate remained flat at Rs. 2600/maund. The production is likely to increase during 2007-08.

FUTURES MARKETS:

NCDEX Kapas futures remained rangebound with steady on Monday in thin trading activity. Futures market opened firm but tumbled thereafter though some improvement was observed at the end. Most active March contract settled at Rs.421.90 after strong opening at Rs.422.50 against the previous close of Rs.421.90 and traded within Rs.420.60-422.60.

PRICE DRIVERS:

1. Weak demand in North Indian market against tight stocks
2. Sowing pressure & higher acreage
3. Heavy 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 hinting slight weak market for the next trading day. Prices closed just above 9-day and 15-day EMA, suggests short term mild bullish market. Open interest decreased but volume of trade increased. Stochastic and RSI is favouring the bears. Kapas is expected to remain mild bullish after steady to firm opening with possibility of some downwards 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	418	415	421.90	423	425

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-MARCH-Kapas below Rs.422.50 with target towards Rs.419.50 and then Rs.418. Put stop loss strictly above Rs.424.50. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	11.06.07	09.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1980	1990	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2045	2055	-10.00
Abohar- Punjab	J-34	Rs./Maund	2025	2035	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1930	1930	-
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	19000-19300	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	17400-17700	17400-17700	-

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