

COTTON DAILY

25th JUNE, 2007

SPOT MARKETS:

Market sentiment for cotton prices remained steady to up on Saturday at most of the trading point owing to fresh demand from the buyers against the tight stocks. But, higher acreage than last year and expectation of higher output are negatively affecting on the market sentiment. 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 Saturday, Shankar-6 (28mm) quoted up at Rs.19000-19300/candy in Gujarat on lower intakes of 5,000 bales. J-34 prices were flat at Rs.1945-1995/maund in Haryana. In Punjab, it traded slight up at Rs.1970-2040/maund with total arrivals are reported to be at around 6,000 bales in the country. The Maharashtra State government and Maharashtra State Co-operative Cotton Growers Marketing Federation have announced that the new cotton policy for the 2007/08 season. Details of the new initiative include quicker payment for seed cotton and new ginning and warehouse facilities. 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 cotton futures slipped on Friday. Most-active December cotton lost 53 points to close at 60.97 cents/pound. Cotlook Cotton Indexes remained steady to up on Friday. North Europe A Index (2006-07 Crop) gained 30 points at 65.25 cents/pound. Far Eastern A Index (2006-07 Crop) added 30 points at 63.30 cents/pound. Far Eastern E Index (Forward Quotation) was unchanged at 66.25 cents/pound. In Karachi, KCA official spot rate remained flat at Rs.2600/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded rangebound on thin volume of trading Saturday amidst lacklustre trading activity. Market went down after weak opening but recovered thereafter. Most active March contract settled Rs.0.10 down at Rs.423.40 after weak opening at Rs.423 and traded within the thin range of Rs.422.10-423.50.

PRICE DRIVERS:

1. Steady demand against the tight stocks
2. Higher sowing than last year; Improving international market
3. 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 indecisive market for the next trading day. Prices closed above 9-day and 15-day EMA, suggesting short term bullish market. Open interest slight decreased but volume of trade significantly declined. Stochastic is indicating strong market but RSI hints bearish 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): Bullish likely on dwindle supplies and improving international market.

Long Term (3 Months): Steady to down on higher acreage and expectation of higher production.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	422	420	423.40	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	23.06.07	22.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1975	1975	-
Muktsar-Punjab	J-34	Rs./Maund	2040	2035	+5.00
Abohar- Punjab	J-34	Rs./Maund	2020	2015	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1935	1935	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19000-19300	18900-19200	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15400-15600	15300-15600	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19300-19500	19300-19700	-
Maharashtra	Y-1	Rs./Candy	17600-17800	17500-17700	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19600-19800	19600-19800	-
Madhya Pradesh	Y-1	Rs./Candy	17800-18000	17800-18000	-

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