

## COTTON DAILY

02<sup>nd</sup> JULY, 2007

### SPOT MARKETS:

Cotton trades steady to firm on Saturday. The export demand for the Indian cotton and buoyant domestic demand has underpinned the sentiments. The exports which stopped for about three months on account of rising rupee has started again. The export demand likely to increase further as the global supply is down by 3% this year. Moreover, news of lower planted area of cotton in U.S. than previously thought added underlying bullish tone. The U.S. Agriculture Department in its June acreage report estimated planted acres at 11.058 million, down from the previous estimate of 12.15 million and well below the average trade guess of 11.56 million acres. Sowing of cotton is in a full swing in Gujarat, where acreage of cotton is expected to increase on higher prices of cotton amidst increased global demand. It is also learnt that farmers are already diverting towards cotton from groundnut. Industry estimates peg Indian cotton output in the year ending September 2007 at 25 million to 27 million bales (170 kilograms). As the area under cotton in US is expected to dip this year, higher cotton acreage in India is desired to cope with the global demand. According to analysts, acreage is likely to dip by 590,000-acre to 11.56 million in 2007-08 planting. The way the sowing is progressing, India might see higher acreage in 2007-08 and thus corresponding higher production, if weather remains favourable. Sowing of cotton as on 15<sup>th</sup> June has been higher at 1.52 million hectare as compared to 1.47 mln ha in the same period last year. On Thursday, Shankar-6 (28mm) quoted Rs 100 up at Rs.19200-19400/candy in Gujarat on steady arrivals of 3,000 bales. J-34 prices were steady in the range of Rs.1955-2000/maund in Haryana. In Punjab, it traded slight higher at Rs.2000-2060/maund. The total arrivals in the country remained steady at 3000 bales. The prices are likely to remain firm in short term supported by firmness in overseas markets and shrinking domestic supplies.

### INTERNATIONAL MARKET:

NYBOT December cotton futures closed up Friday as traders positioned themselves before the lower U.S. planted acreage report. Most-active December cotton closed up 170 points at 63.33 cents a pound for a gain of 2.76% from Thursday's settlement. December cotton's range was 62.80-64.40 cents. Friday's bullish acreage report took December cotton to a new contract and three-year high early in the session, as commodity funds bought heavily activating buy stops along the way.

### FUTURES MARKETS:

NCDEX Kapas futures traded sharply higher on Friday. The March 2008 contract opened firm at Rs 431.5 and then it traded firm in the rangeday's high. Volumes as well as open interest have increased significantly during the day.

### PRICE DRIVERS:

1. Shrinking arrivals against healthy domestic demand
2. Depleting stocks
3. Higher acreage expected
4. Export demand rekindling
5. Tight international market on concerns of fall in acreage

### WEATHER:

### TECHNICALS: NCDEX Kapas March Contract-2008

A long bullish marubozu candle has formed, indicating steady advance throughout the trading period. Prices closed well above short term EMAs, indicating short-term firmness. Stochastic, RSI and MACD is supporting bulls. However, RSI and Stochastic are in overbought region, so technical correction cant be ruled out. Kapas is likely to trade bullish after steady to firm opening.

### NCDEX Kapas March Contract-2008



### SUPPORT / RESISTANCES:

#### NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	435	427	442.2	446	449

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-MARCH-Kapas above Rs.440 with target towards Rs.446, Put stop loss at.437. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	30.06.07	29.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1990	1985	+5
Muktsar-Punjab	J-34	Rs./Maund	2065	2060	+5
Abohar- Punjab	J-34	Rs./Maund	2048	2045	+3
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1945	1945	0
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19300-400	19200-400	+100
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15500-16200	15500-16200	0
Maharashtra	Mech-I-29mm	Rs./Candy	19500-800	19500-800	0
Maharashtra	Y-1	Rs./Candy	18000-18100	17500-18000	+100
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19800-20000	19800-20000	0

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