

COTTON DAILY

26th JUNE, 2007

SPOT MARKETS:

Static sentiment for cotton prices was seen on Monday at most of the trading point owing to stable demand supply scenario 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 Monday, Shankar-6 (28mm) quoted steady 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 stable 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 remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the cotton prices showed firm trend in Karachi on Saturday as the mills remained on the sideline to analyse the present trend after the rains in both Punjab and Sindh. In Karachi, KCA official spot rate remained flat at Rs.2600/maund. Under the circumstances were a little disturbed and hoping for a number of incentives in the Textile packages.

FUTURES MARKETS:

NCDEX Kapas futures traded strong on Monday amidst fresh buying support. Market improved after mostly weak opening though some weakness is observed at the day's high. Most active March contract settled Rs.1.00 up at Rs.424 after mostly weak opening at Rs.422 and traded within the thin range of Rs.422-425.

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 suggesting upward market for the next trading day. Prices closed above 9-day and 15-day EMA, indicating short term bullish market. Open interest as well as volume of trade significantly increased. Stochastic is indicating slight bearish market but RSI hints bullish market. Kapas is to be trade strong 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	424	426	428

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.423 with target towards Rs.426 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	25.06.07	23.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1975	1975	-
Muktsar-Punjab	J-34	Rs./Maund	2040	2040	-
Abohar- Punjab	J-34	Rs./Maund	2020	2020	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1935	1935	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19000-19300	19000-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15400-15600	15400-15600	-
Maharashtra	Mech-I-29mm	Rs./Candy	19300-19500	19300-19500	-
Maharashtra	Y-1	Rs./Candy	17600-17800	17600-17800	-
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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