

## COTTON DAILY

17<sup>th</sup> JULY, 2007

### SPOT MARKETS:

Strong mill demand has placed domestic cotton prices very near their highest levels of the season. Besides, good demand from exporters and stock holding coupled with shrinkage arrivals are propelling the prices to up. Presently, the exports which stopped for about three months due to rising rupee started again. According to trade sources, the exporters purchased good volumes of cotton in the last 10 days to cover their positions ahead of the new crop. They have already contracted to export of around 3-4 lakh bales of cotton for delivery in November, December and January.

As of July 6, 5.96 million hectares of cotton has been planted, up from 3.7 million hectares on the same date last season. Some replanting might be necessary in areas hit by the heaviest floods.

This month's 2007/08 U.S. cotton projections include lower production, exports, and ending stocks relative to last month. World 2007/08 projections show sharply lower production occurring mainly in major exporting countries, which is about offset by a statistical adjustment in China's production. Production is reduced in the United States, the African Franc Zone, Australia, and Turkey, but raised in Egypt.

On Monday, Shankar-6 (28mm) quoted up at Rs.20500-20700/candy in Gujarat with no arrivals are reported. J-34 prices quoted slight up in the range of Rs.2070-2110/maund in Haryana. In Punjab, it registered up between Rs.2110-2200/maund in different markets. Forward trade in new crop J-34 is being noted from Punjab at Rs.1980-1990/maund for October shipment and Rs.1930-1940 for November shipment. Cotton market is expected to prevail bullish the near term on tight international markets and shrinking domestic supplies.

### INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. In Pakistan, the cotton prices are remaining mostly bullish at present due to scarce availability of cotton in locally and internationally. Therefore the spot cotton prices in Karachi had several jump during the week to Saturday under review and rates in ready too rose to season's highest Rs.3100/maund. KCA spot rate remained unchanged on Saturday and quoted at Rs.2850/maund.

### FUTURES MARKETS:

NCDEX Kapas futures settled mixed on Monday amidst profit taking and technical correction. Futures market went down after opening on short covering but fresh buying pushed up the prices later. Most active April 2008 contract opened slight down at Rs.459.20 against the last close of Rs.459.60 and settled Rs.0.10 up at Rs.459.70 with traded in the range of Rs.456.60-460.

### PRICE DRIVERS:

1. Farmers holding back remaining stocks
2. Good demand from exporters & mills; New export deal
3. Shrinkage arrivals; Improving international cotton market

### WEATHER:

Monsoon rain has again turned violent in Gujarat. Monsoon rain was moderate across the remainder of the country, with heavy rain forecast over eastern Rajasthan, Gujarat, M.P. and Coastal Karnataka. Flooding of crop areas is now a major concern in Gujarat.

### TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are showing indecisive market for the next trading day. Prices closed far above short term EMAs, suggesting short term bullish market. MACD is remaining steady in the positive zone, hinting steady market as medium term. Stochastic is indicating weak market while RSI is favouring for the bulls. Volume of trade as well as Open interest significantly increased. Kapas is likely to trade down after firm opening with possibility of some upward movement at later session.

### OUTLOOK:

**Short Term (1 Week):** Bullish on depleting stocks against the healthy demand.

**Medium Term (1 Month):** Strong likely on mostly weak arrivals and improving international market.

**Long Term (3 Months):** Steady to down possible on new crop arrivals in last week of September and higher production estimates.

### NCDEX Kapas APRIL Contract-2008



### SUPPORT / RESISTANCES:

#### NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	455	451	459.70	462	465

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-APRIL-Kapas above Rs.456 with target towards Rs.461 and then 464, Put stop loss strictly below Rs.452. Do not carry forward the position for the next trading day.

**VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS**

Markets	Variety	Units	16.07.07	14.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2095	2085	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2200	2200	-
Abohar- Punjab	J-34	Rs./Maund	2190	2180	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2080	2080	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20700	20400-20500	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16500-17000	16400-17000	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	19900-20100	19800-20100	+100.00
Maharashtra	Y-1	Rs./Candy	18400-18600	18400-18600	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20000-20200	19900-20200	+100.00
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18500-18800	-

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