

COTTON DAILY

5th JULY, 2007

SPOT MARKETS:

Cotton continued to trade bullish in most of the domestic markets due to shrinking arrivals against the healthy domestic demand, rekindling export demand and reports of lower than expected acreage under cotton plantation in the US. The exports which stopped for about three months on account of rising rupee started again. Export demand is likely to increase further as the global supply is down by 3% this year.

In Gujarat, the cotton acreage in this year is expected to reach 23 lakh hectares. More than 80% of cultivation is over. Out of which 14 lakh hectares of land is being sown with BT cotton in this State. Besides, experts and industry sources say that 25% increase in cotton area is expected across the country during 2007-08. According to the Gujarat government and state-based major cotton traders, 5 lakh hectares of staple cotton will be sown in August.

IMD's recent downward revision of rainfall in north-western India has become slightly concerning for the crop creating doubts as to country's expectation of a higher production this year. But, moderate to heavy rains in northwest India may affect the crop.

On Wednesday, Shankar-6 (28mm) quoted up at Rs.19500-19800/candy in Gujarat on reduced arrivals. J-34 prices were strong in the range of Rs.1965-2050/maund in Haryana. In Punjab, it traded higher between Rs.2035-2120/maund in different markets. The total arrivals in the country remained steady at 2,000 bales as against Tuesday's arrivals. The prices are likely to remain firm in the near term supported by firmness in overseas markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures settled up on Tuesday. Most-active December cotton settled 5 points up at 63.48 cents a pound. Cotlook Cotton Indexes remained unchanged. North Europe A Index (2006-07 Crop) was flat at 67.60 cents/pound. Far Eastern A Index (2006-07 Crop) was unchanged at 66.00 cents/pound. Far Eastern E Index (Forward Quotation) was steady at 67.95 cents/pound. Besides, the bullish trend observed in the Karachi cotton market on Tuesday as ginners insisting to make any deal at the asking prices. KCA official spot rate remained flat at Rs 2650/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled up on Wednesday following made a fresh high on strong buying support and firm spot market. Most active April 2008 contract opened firm at Rs 449 and thereafter traded mostly firm in the range of Rs 448.50-453. During the day contract witnessed a fresh high of Rs 453 though some profit booking was also observed at contract highs and settled Rs.5.10 up at Rs 451.40.

PRICE DRIVERS:

1. Shrinking arrivals against healthy domestic demand
2. Depleting stocks
3. Poor rainfall expected in north west India than earlier projected
4. Export demand rebirthing

WEATHER:

Heavy rains in major cotton growing regions especially Gujarat and Maharashtra might affect the early sown crop and interrupt sowing.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating bullish trend of the Kapas market. Prices closed far above short term EMAs, indicating short term bullish market. MACD is rising in positive zone, hinting upward trend may continue in medium term. However, overbought levels of Stochastic and RSI warrant some caution on the part of bulls. Volume of trade as well as Open Interest increased, supports the markets. Kapas is likely to trade firm after steady to strong opening with possibility of some downward movement at later session.

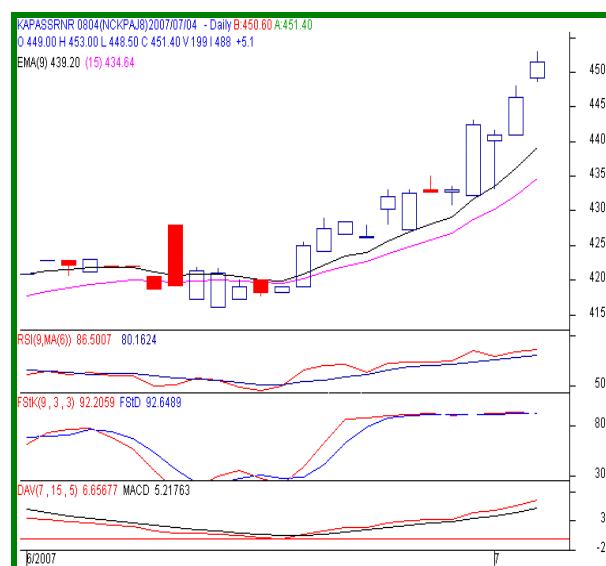
OUTLOOK:

Short Term (1 Week): Steady to 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 APRIL Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	449	447	451.40	454	456

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.450 with target towards Rs.453 and then 455, Put stop loss strictly below Rs.448. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	04.07.07	03.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2025	2015	+10
Muktsar-Punjab	J-34	Rs./Maund	2110	2100	+10
Abohar- Punjab	J-34	Rs./Maund	2100	2085	+15
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1990	1980	+10
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19500-19800	19400-19700	+100
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15700-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	19900-20100	19700-19900	+200
Maharashtra	Y-1	Rs./Candy	17700-18300	17500-18000	+200
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19700-20200	19700-20200	-
Madhya Pradesh	Y-1	Rs./Candy	18000-18200	17800-18000	+200

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