

COTTON DAILY

11th JULY, 2007

SPOT MARKETS:

Cotton prices remained steady to up on Tuesday in most of the domestic market on account of shrinkage arrivals against the healthy domestic demand, rekindling export demand and worries of desert locust attack in Pakistan and India. In addition, the exports which stopped for about three months due to rising rupee started again. Export demand is likely to increase further as the global supply is down by 3% this year.

The cotton sowing during the Kharif season picked up in the week ending Friday, according to the latest government data. Cotton was sown in around 5.96 million hectares of land, including 2.33 million ha under BT cotton, as against 3.7 million sown during the same period last year. The acreage is increasing due to Southwest monsoon covered the whole country.

According to government sources, the threat of desert locust is expected to damage Pakistan's key cotton crops. The swarms of locust are forming in Africa, which could cross the Indian Ocean. In the last week, the United Nations' Food and Agriculture Organization warned that the swarms of desert locust from Africa are anticipated to cross the Indian Ocean and reach Pakistan and India soon.

On Tuesday, Shankar-6 (28mm) was steady at Rs.20000-20300/candy in Gujarat on reduced arrivals of 1000 bales. J-34 prices quoted slight up in the range of Rs.2035-2080/maund in Haryana. In Punjab, it traded steady to up between Rs.2075-2145/maund in different markets. The total arrivals in the country remained as per Monday's arrivals of 1,000 bales. Cotton market is likely to remain hot in the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures skyrocketed on Monday and hitting a new three-year high. Most-active December cotton climbed 200 points at 66.63 cents/pound following made a new high of 67.30 cents. In Pakistan, the cotton prices hit the season's peak level at Rs 3100/maund because continued rains in the cotton growing areas. The KCA official spot rate remained steady at Rs 2725/maund.

FUTURES MARKETS:

NCDEX Kapas futures rebounded to up and hitting a new contract high on strong buying support and strong international prices on Tuesday. Futures market opened mostly firm and hovered up thereafter. Most active April 2008 contract opened bullish at Rs.448 against the last close of Rs.445.50 and thereafter traded strong in the range of Rs.448-454. The contract climbed Rs.8.50 at Rs.454.

PRICE DRIVERS:

1. Shrinkage arrivals against healthy domestic demand
2. Farmers holding back remaining stocks
3. Increasing demand from Textile mills
4. Export demand rebirthing; Improving international cotton market

WEATHER:

Early season rain and thunderstorms has provided generous soil moisture for early cotton planting in North and Central India. The south India cotton belt has been drier and hotter recently, reducing moisture for this part of the crop.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating strong prices for the next trading day. Prices closed above short term EMAs, suggesting short term bullish market. MACD is going up in positive zone, hinting bullish market as medium term. Stochastic and RSI are indicating strong market. Volume of trade significantly increased but Open Interest slight decreased. Kapas is expected to trade up after steady to firm opening with possibility of some downward 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	450	446	454	458	462

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.452 with target towards Rs.457 and then 460, 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	10.07.07	09.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2050	2050	-
Muktsar-Punjab	J-34	Rs./Maund	2145	2140	+5.00
Abohar- Punjab	J-34	Rs./Maund	2140	2130	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2015	2015	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-20300	20000-20300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	16000-16800	-
Maharashtra	Mech-I-29mm	Rs./Candy	19800-20100	19900-20200	-100.00
Maharashtra	Y-1	Rs./Candy	18200-18500	18300-18600	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20300-20600	20300-20600	-
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18500-18800	-

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