

## COTTON DAILY

4th JULY, 2007

### SPOT MARKETS:

Cotton traded firm in most of the domestic markets owing to shrinking arrivals, 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.

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. USDA has projected 30 million bales of crop production in India. As the area under cotton in US is expected to decrease this year, higher cotton acreage in India may fulfil the global demand.

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. Poor rains in major cotton producing region i.e. northwest India may affect the crop.

On Monday, Shankar-6 (28mm) quoted at Rs.19400-19700/candy in Gujarat on reduced arrivals.. J-34 prices were firm in the range of Rs.1955-2040/maund in Haryana. In Punjab, it traded higher between Rs.2030-2100/maund in different markets. The total arrivals in the country reduced to 2,000 bales as against Monday's 2500 bales. The prices are likely to remain firm in the near term supported by firmness in overseas markets and shrinking domestic supplies.

### INTERNATIONAL MARKET:

NYBOT December cotton futures continued firm on further trade buying, following Friday's report of a decline in the US cotton planted area than previous estimates. Most-active December cotton closed up 10 points at 63.43 cents a pound after trading in the price band of 63.20-63.93 cents. The traders are looking forward to China's reaction to possibility of reduced exports by the US.

### FUTURES MARKETS:

NCDEX Kapas futures created some fresh highs on Tuesday following slight firmness in international markets. March 2008 contract opened firm at Rs 440.60 and thereafter traded mostly firm in the range of Rs 440- 448. During the day contract witnessed a fresh high of Rs 448 and thereafter closed in green at Rs 444.40. Volumes declined and open interest remained similar to that of previous day.

### 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 rekindling
5. US planted area to decline

### WEATHER:

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

### TECHNICALS: NCDEX Kapas March Contract-2008

Cotton charts are showing firmness in the cotton market. The prices closed far above short term EMAs which supports bulls. MACD is rising in positive zone showing increasing bullish momentum. However, overbought levels of stochastic warrant some caution on the part of bulls. Kapas is likely to trade with bullish bias during the session.

#### NCDEX Kapas March Contract-2008

KAPASSRNR 0803(NCKPAH8)2007/07/03 - Daily B:444.00 A:446.00  
O 440.60 H 448.00 L 440.00 C 444.40 V 153 I 422 +4.4



### SUPPORT / RESISTANCES:

#### NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	440	434	444.4	448	454

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-MARCH-Kapas above Rs.442.3 with target towards Rs.447 and then 449, Put a strict stop loss at.439.

**Do not carry forward the position for the next trading day.**

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	03.06.07	02.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2015	2000	+15
Muktsar-Punjab	J-34	Rs./Maund	2100	2085	+15
Abohar- Punjab	J-34	Rs./Maund	2085	2070	+15
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1960	+20
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19400-700	19300-600	+100
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15600-16300	+100
Maharashtra	Mech-I-29mm	Rs./Candy	19700-900	19700-900	-
Maharashtra	Y-1	Rs./Candy	17500-18000	17500-18000	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19700-20200	19800-20000	+200

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