

COTTON DAILY

1st AUGUST, 2007

SPOT MARKETS:

The Trading activity was observed steady on Tuesday in the domestic cotton market owing to improved demand from the mills and exporters. In addition, strengthening of international cotton prices also added to positive tone. However, the higher acreage and expectation of bumper crop during the year are suppressing the market sentiment. Indian exporters have contracted around 3-4 lakh bales of cotton for delivery in November, December and January. Besides, the various international companies are now very much eager to buy cotton from the grower, which means that local cotton demand is growing in markets like U.S. and Europe.

In Gujarat, the cotton sowing has been completed during this Kharif season. The total area of cotton cultivation in the state covers 25 lakh hectares of the 93 lakh hectare in the entire country. The present weather condition is to be the most favourable for cotton cultivation. In the country, around 85-90% of the total coverage of cotton has been completed.

The cotton production in the country is expected to surge by 10% to about 300 lakh bales (30 million bales) in 2007-08 (October-September) as compared to 270 lakh bales in 2006-07. The main factors behind this are higher acreage and rainfall trend coupled with more area under Bt cotton.

On Tuesday, Shankar-6 (28mm) quoted stable at Rs.20500-20800/candy in Gujarat. J-34 prices offered in the range of Rs.2085-2125/maund in Haryana. In Punjab, it quoted stable between Rs.2100-2170/maund in different markets. The cotton market is likely to trade up in the medium term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures climbed amidst technical strength and light speculative buying on Monday. Most active December cotton climbed 105 points to close at 64.55 cents/pound. Cotlook Cotton Indexes rebounded to up. North Europe A Index (2006-07 Crop) gained 75 points at 68.60 cents/pound. Far Eastern A Index (2006-07 Crop) added 75 points at 67.15 cents/pound. Far Eastern E Index (Forward Quotation) increased 75 points at 68.70 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled up on Tuesday on mild buying interest. Market went up after strong opening but slipped thereafter. March-2008 contract closed Rs.0.90 up at Rs.449. Most active April 2008 contract opened up at Rs.449 against the last close of Rs.447.70 and settled Rs.0.90 up at Rs.448.60 with traded within Rs.448.60-449.90.

PRICE DRIVERS:

1. Stockists holding back remaining stocks; Negligible arrivals
2. Improved demand from exporters & mills; Improving global markets

WEATHER:

Thunderstorms reached into northwest India during the past few weeks. This is an early rain event for this region and should allow for early planting. Increasing rainfall in central India will help recharge soil moisture and replenish irrigation through major cotton areas.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating steady to rangebound market for the next trading day. Prices settled just below short term EMAs, hinting short term slight bearish market. MACD is moving down in the positive zone, hinting bearish market as medium term. Stochastic and RSI are suggesting steady market. Volume decreased but Open interest increased. Kapas is likely to trade firm after strong opening with possibility of some downward movement at the later session.

OUTLOOK:

Short Term (1 Week): Slight up on improved demand and strengthening international markets.

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

Long Term (3 Months): Steady to bearish 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	445	442	448.60	451	453

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.447 with target towards Rs.450 and then 452, Put stop loss strictly below Rs.445. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	31.07.07	30.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2100	2100	-
Muktsar-Punjab	J-34	Rs./Maund	2170	2170	-
Abohar- Punjab	J-34	Rs./Maund	2150	2150	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2040	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20800	20500-20800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17000	16300-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20500-20800	-
Maharashtra	Y-1	Rs./Candy	18800-19200	18800-19200	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20800-21000	20800-21000	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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