

COTTON DAILY

19th JULY, 2007

SPOT MARKETS:

Cotton prices are maintaining the bullish trend on the back of strong international prices, good demand from exporters and stock holding coupled with sluggish arrivals. According to trade sources, the exporters purchased good volumes of cotton 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. But, good weather and expectations of higher production in the Kharif season's crop are likely to pull down prices in near future.

Cotton was planted in around 6.90 million hectares of land, including 2.43 million ha under BT cotton, as against 5.80 million sown during the same period last year.

The government announcing the export package, textile commissioner JN Singh feels exports will be between 45-50 lakh bales, with a good demand from Turkey and China. But, cotton exporter Nayan Mirani feels exports will not go beyond 42 lakh bales as many exporters cancelled orders with firm local prices.

Besides, China's cotton imports plummeted by 34% at 252,500 Mt in the month of June. The total imports during the first six months remained at 1.18 MMt, down by 52% on year.

On Wednesday, Shankar-6 (28mm) quoted steady at Rs.20600-20800/candy in Gujarat with no arrivals. J-34 prices quoted up in the range of Rs.2085-2130/maund in Haryana. In Punjab, it offered up between Rs.2130-2230/maund in different markets. Cotton market is likely to maintain bullish trend in the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled on Tuesday and closed nearer the session low. December cotton futures slipped 2.05 cents at 65.70 cents/pound. Cotlook Cotton Indexes slipped. North Europe A Index (2006-07 Crop) was down by 40 points at 71.90 cents/pound. Far Eastern A Index (2006-07 Crop) lost 45 points at 70.35 cents/pound. Far Eastern E Index (Forward Quotation) slid 40 points at 72.15 cents/pound. In Karachi, KCA official spot rate remained flat at Rs 2875/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded weak on Wednesday amidst profit taking. Market went down after weak opening but recovered some losses thereafter on fresh buying. Most active April 2008 contract opened weak at Rs.457 against the last close of Rs.459 and settled Rs.2.60 down at Rs.456.40 with traded within Rs.453.50-457.50.

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:

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 slight upward market for the next trading day. Prices settled just above short term EMAs, hinting short term strong market. MACD is remaining steady in the positive zone, hinting steady market as medium term. Stochastic and RSI are hinting bearish market. Volume of trade as well as Open interest significantly increased. Kapas is likely to trade soft after weak 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	453	450	456.40	459	462

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.454 with target towards Rs.458 and then 461, Put stop loss strictly below Rs.450. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	18.07.07	17.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2110	2105	+10.00
Muksar-Punjab	J-34	Rs./Maund	2220	2210	+10.00
Abohar- Punjab	J-34	Rs./Maund	2205	2200	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2110	2100	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20600-20800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16700-17000	16700-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	20000-20200	20000-20200	-
Maharashtra	Y-1	Rs./Candy	18600-18800	18600-18800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20100-20300	20100-20300	-
Madhya Pradesh	Y-1	Rs./Candy	18700-18900	18700-18900	-

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