

COTTON DAILY

28th JULY, 2007

SPOT MARKETS:

Cotton prices remained up on Friday at the domestic spot markets on account of improved demand from the mills and exporters. In addition, strengthening of international cotton prices also added to bullish 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.

According to the government, the area covered by cotton between May 1 and July 20 is estimated at 7.22 million hectares, up from 6.41 million hectares a year earlier. It has almost completed in Gujarat.

Pakistan government has not permitted import of long staple cotton lint from India through Wagah Border on account of fumigation problem.

In India, the cotton arrivals for the old crop of 2006/07 have almost come to an end. Arrivals during the July 14 - 22 period was reported only totalled 40,000 bales, of which 25,000 bales were from Andhra Pradesh. Total arrivals have now reached 27.2 million bales as compared to 24.28 million bales of last year same period.

On Friday, Shankar-6 (28mm) quoted up at Rs.20500-20800/candy in Gujarat. J-34 prices remained up and offered in the range of Rs.2060-2110/maund in Haryana. In Punjab, it quoted up between Rs.2095-2165/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 slipped on Thursday amidst bearish options strategies and local selling. Most-active December cotton slid 116 points at 62.79 cents/pound. Cotlook Cotton Indexes remained strong on Thursday. Therefore North Europe A Index (2006-07 Crop) gained 10 points at 68.95 cents/pound. Far Eastern A Index (2006-07 Crop) added 10 points at 67.50 cents/pound. Besides, Far Eastern E Index (Forward Quotation) rose 10 points at 69.05 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded bearish Friday amidst fresh selling pressure. Market traded down after weak opening. Most active April 2008 contract opened down at Rs.453 against the last close of Rs.455.9 and settled at Rs.448.7 with traded within Rs.448.5-454.

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 strong bearish market for the next trading day. Prices settled below the EMAs, hinting medium term weakness. MACD is moving downwards in the positive zone. Stochastic is direction less in neutral zone. RSI are falling in normal region, favouring bearish market. Volume has increased whereas Open interest has decreased marginally. Kapas is likely to trade bearish after steady to weak opening.

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	443	441	448.7	453	455

TRADE RECOMMENDATION (INTRADAY)

SELL NCDEX-APRIL-Kapas above Rs.450 with target towards Rs.445 and then 443, Put stop loss strictly below Rs.453. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	27.07.07	26.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2090	2080	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2165	2165	-
Abohar- Punjab	J-34	Rs./Maund	2150	2140	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2050	2035	+15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20800	20400-20700	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17000	16300-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	20700-20900	20700-20900	-
Maharashtra	Y-1	Rs./Candy	18700-19000	18700-19000	-
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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