

COTTON DAILY

21st JULY, 2007

SPOT MARKETS:

Indian cotton prices are prevailing in the upper side during this period because of good demand from exporters amid flat supplies, traders said. Slowdown in supplies because of rains in western and central India also kept prices up. 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 old and forthcoming new cotton crop for delivery in November, December and January. But the prices sharply declined on Friday due to falling demand from the mills, exporters and South Indian market.

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.

Cotton arrivals has reached to 1.10 lakh bales at gins during week ending July 14 as compared to only 40,000 bales of the previous year same period. Gujarat contributed around 1-lakh bales of this volume, where the crop appears poised to reach or exceed 10 million bales for the first time. Total arrivals are now at 27.16 million bales.

All Pakistan Textile Association (APTA) has said on Tuesday that the Pakistan government has not permitted import of long staple cotton lint from India through Wagah Border on account of fumigation problem.

On Friday, Shankar-6 (28mm) quoted down at Rs.20500-20800/candy in Gujarat with no arrivals. J-34 prices offered down at Rs.2060-2095/maund in Haryana. In Punjab, it registered down between Rs.2080-2175/maund in different markets. But, the cotton market is likely to maintain bullish trend in the near term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures sharply declined on Thursday. December cotton futures tumbled 190 points at 64.49 cents/pound. Cotlook Cotton Indexes rebounded to up on Thursday. North Europe A Index (2006-07 Crop) was up by 70 points at 71.00 cents/pound. Far Eastern A Index (2006-07 Crop) gained 75 points at 69.50 cents/pound. Far Eastern E Index (Forward Quotation) added 65 points at 71.10 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded weak on Friday amidst selling interest and weak spot market. Market declined after mostly weak opening. Most active April 2008 contract opened bearish at Rs.454.50 against the last close of Rs.457.10 and settled Rs.3.60 down at Rs.453.50 with traded within Rs.452-455.

PRICE DRIVERS:

1. Stockists holding back remaining stocks
2. Reduced demand from exporters & mills; New export deal
3. Negligible arrivals; Upward international cotton market

WEATHER:

Monsoon rains in the country are expected to remain weak in cotton-growing central regions over the next five days. This year's monsoon has been 111% of the long-term average and well distributed up to July 18.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting slight bearish market for the next trading day. Prices settled in between short term EMAs, hinting short term steady to bullish market. MACD is moving down in the positive zone, hinting slight weak market as medium term. Stochastic and RSI are hinting bearish market. Volume as well as Open interest increased. Kapas is likely to trade slight weak after weak opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Strong on shrinkage arrivals against the healthy demand.

Medium Term (1 Month): Bullish 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 | 450 | 447 | 453.50 | 456 | 459 |

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.451 with target towards Rs.455 and then 458, Put stop loss strictly below Rs.447. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 20.07.07 | 19.07.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 2080 | 2100 | -20.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 2185 | 2200 | -15.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 2170 | 2195 | -25.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 2060 | 2100 | -40.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 20500-20800 | 20800-21000 | -300.00 |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 16300-17000 | 16700-17000 | -400.00 |
| Maharashtra | Mech-I-29mm | Rs./Candy | 20400-20600 | 20600-20800 | -200.00 |
| Maharashtra | Y-1 | Rs./Candy | 18400-18700 | 18600-19000 | -200.00 |
| Madhya Pradesh | Mech-I-29mm | Rs./Candy | 20600-20900 | 20800-21000 | -200.00 |
| Madhya Pradesh | Y-1 | Rs./Candy | 18700-18900 | 18700-18900 | - |

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