

## COTTON DAILY

10<sup>th</sup> JULY, 2007

### SPOT MARKETS:

Cotton prices maintained bullish sentiment on Monday in most of the domestic market on the back of sluggish arrivals against the improved demand, rekindling export demand and reports of lower than expected acreage under cotton plantation in the US. In addition, the exports which stopped for about three months due to rising rupee started again. Export demand is likely to increase further as the global supply is down by 3% this year.

The cotton sowing during the Kharif season picked up in the week ending Friday, according to the latest government data. Cotton was sown in around 5.96 million hectares of land, including 2.33 million ha under BT cotton, as against 3.7 million sown during the same period last year. The acreage is increasing due to Southwest monsoon covered the whole country.

The progress of the Southwest monsoon is crucial for the country's agriculture sector as more than 60% of agricultural land does not have irrigation facilities. According to the Indian Meteorological Department, the Southwest has covered the whole of India after the reaching the mainland in June.

On Monday, Shankar-6 (28mm) quoted up at Rs.20000-20300/candy in Gujarat on lower arrivals of 1000 bales. J-34 prices quoted up in the range of Rs.2030-2075/maund in Haryana. In Punjab, it traded up between Rs.2070-2145/maund in different markets. The total arrivals in the country remained as per Thursday's arrivals of 1,000 bales. Market prices are expected to maintain bullish sentiment in the near term on firmness in overseas markets and shrinking domestic supplies.

### INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. In Pakistan, the cotton market remained strong on Saturday on some fresh buying by the mills, though prices were on the upward march following the worries about the size of crop. The Karachi Cotton Association (KCA) official spot rate has increased by Rs 50 to Rs 2725/maund. Thus the prices gained Rs 75 during the week. In the ready business, the deals were stuck between Rs 2800-3000/maund.

### FUTURES MARKETS:

NCDEX Kapas futures extended previous weakness Monday also amidst lack of buyers at upper level and profit booking. Kapas futures opened slight up but fell down from day's high. Most active April 2008 contract opened up at Rs 448 against the last close of Rs.447.50 and thereafter traded bearish in the range of Rs 445.30-448.50. The market settled Rs.2.10 down at Rs 445.40.

### PRICE DRIVERS:

1. Sluggish arrivals against healthy domestic demand
2. Farmers holding back remaining stocks
3. Increasing demand from Textile mills
4. Export demand rebirthing; Improving international cotton market

### WEATHER:

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

### TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are favouring the bears for the next trading day while prices closed above short term EMAs, suggesting short term bullish market. MACD is going down in positive zone, hinting downward market as medium term. Stochastic and RSI are indicating bearish market. Volume of trade significantly decreased but Open Interest remained steady, did not support the present market trend. Kapas is expected to trade slight down after steady to 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	442	438	445.40	448	451

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-APRIL-Kapas above Rs.443 with target towards Rs.447 and then 450, Put stop loss strictly below Rs.440. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	09.07.07	07.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2050	2040	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2140	2135	+5.00
Abohar- Punjab	J-34	Rs./Maund	2130	2120	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2015	2005	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-20300	19900-20200	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	16000-16800	-
Maharashtra	Mech-I-29mm	Rs./Candy	19900-20200	19700-20000	+200.00
Maharashtra	Y-1	Rs./Candy	18300-18600	18300-18600	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20300-20600	20200-20500	+100.00
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18500-18800	-

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