

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices remained steady to rangebound on Saturday 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. Cultivation of cotton has been completed through out the state of Gujarat. The total area of cotton cultivation in the state covers 25 lakh hectares of the 93 lakh hectare in the entire country.

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 Saturday, Shankar-6 (28mm) quoted stable at Rs.20500-20800/candy in Gujarat. J-34 prices remained up and offered in the range of Rs.2070-2110/maund in Haryana. In Punjab, it quoted up 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 moved up on Friday amidst light commercial buying and bullish options activity. Most-active December cotton increased 71 points to close at 63.50 cent/pound. Cotlook Cotton Indexes fell Friday. North Europe A Index (2006-07 Crop) lost 110 points at 67.85 cents/pound. Far Eastern A Index (2006-07 Crop) slid 110 points at 66.40 cents/pound. Besides, Far Eastern E Index (Forward Quotation) slipped 110 points at 67.95 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

### FUTURES MARKETS:

NCDEX Kapas futures settled in the negative territory Saturday on light selling pressure. Market went up after mostly firm opening but slipped thereafter. March-2008 contract closed Rs.0.90 down at Rs.448.60. Most active April 2008 contract opened up at Rs.449.50 against the last close of Rs.448.90 and settled Rs.0.20 down at Rs.448.70 with traded within Rs.447.20-451.70.

### 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

### TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating indecisive market for the next trading day. Prices settled below short term EMAs, hinting short term bearish market. MACD is moving down in the positive zone, hinting bearish market as medium term. Stochastic and RSI are suggesting bearish market. Volume as well as Open interest decreased. Kapas is likely to trade bearish after strong opening with possibility of some upward 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	446	443	448.70	452	455

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.451 with target towards Rs.447 and then 445, Put stop loss strictly above Rs.454. Do not carry forward the position for the next trading day.

**VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS**

Markets	Variety	Units	28.07.07	27.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2085	2090	-5.00
Muktsar-Punjab	J-34	Rs./Maund	2170	2165	+5.00
Abohar- Punjab	J-34	Rs./Maund	2155	2150	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2050	-10.00
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	20600-20800	20700-20900	-100.00
Maharashtra	Y-1	Rs./Candy	18600-19000	18700-19000	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20700-20900	20800-21000	-100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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