

COTTON DAILY

16th JULY, 2007

SPOT MARKETS:

Strong mill demand has placed domestic cotton prices very near their highest levels of the season. Besides, good demand from exporters and stock holding coupled with shrinkage arrivals are propelling the prices to up. Presently, the exports which stopped for about three months due to rising rupee started again. According to trade sources, the exporters purchased good volumes of cotton in the last 10 days 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.

As of July 6, 5.96 million hectares of cotton has been planted, up from 3.7 million hectares on the same date last season. Some replanting might be necessary in areas hit by the heaviest floods.

This month's 2007/08 U.S. cotton projections include lower production, exports, and ending stocks relative to last month. World 2007/08 projections show sharply lower production occurring mainly in major exporting countries, which is about offset by a statistical adjustment in China's production. Production is reduced in the United States, the African Franc Zone, Australia, and Turkey, but raised in Egypt.

On Saturday, Shankar-6 (28mm) traded steady at Rs.20400-20500/candy in Gujarat and arrivals were reported to be nil. J-34 prices quoted slight up in the range of Rs.2065-2100/maund in Haryana. In Punjab, it offered up between Rs.2100-2195/maund in different markets. Forward trade in new crop J-34 is being noted from Punjab at Rs.1,980/maund for October shipment and Rs.1,930 for November shipment. Cotton market is likely to remain hot in the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures reached a new high on Friday amidst speculative and technical buying. Most active December cotton climbed 133 points at 68.38 cents/pound. In Karachi, KCA official spot rate was flat Rs.2850/maund. Cotlook Cotton Indexes remained steady on Friday.

FUTURES MARKETS:

NCDEX Kapas futures hovered up Saturday on early buying support and firm spot market. Futures market soared after mostly firm opening but profit booking at late hour set back the prices. Most active April 2008 contract opened mostly up at Rs.457 against the last close of Rs.455 and made a fresh high at Rs.461.50 and settled Rs.4 up at Rs.459 with traded in the range of Rs.457-461.50.

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:

Monsoon rain has again turned violent in Gujarat. Monsoon rain was moderate across the remainder of the country, with heavy rain forecast over eastern Rajasthan, Gujarat, M.P. and Coastal Karnataka. Flooding of crop areas is now a major concern in Gujarat.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are showing steady to up market for the next trading day. Prices closed far above short term EMAs, hinting short term bullish market. MACD is remaining steady in the positive zone, hinting steady market as medium term. Stochastic is indicating technical weakness while RSI is favouring for the bulls.. Volume of trade significantly increased but Open Interest decreased. Kapas is expected to trade down 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	454	451	459	462	465

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.455 with target towards Rs.460 and then 464, Put stop loss strictly below Rs.451. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	14.07.07	13.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2085	2075	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2200	2195	+5.00
Abohar- Punjab	J-34	Rs./Maund	2180	2175	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2080	2070	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20500	20400-20500	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16400-17000	16400-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	19800-20100	19800-20100	-
Maharashtra	Y-1	Rs./Candy	18400-18600	18400-18600	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19900-20200	19900-20200	-
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18500-18800	-

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