

## COTTON DAILY

03rd JULY, 2007

### SPOT MARKETS:

Cotton traded mostly firm in the domestic markets as shrinking arrivals, healthy domestic demand and rekindling export demand continue to support the higher prices. IMD's downward revision of rainfall in north-western India is a bit concerning for the crop and the it creates doubts about the higher production expected in the country earlier. Looking at the farmer's interest towards the cotton crop this season the acreage is expected to be higher. Accordingly, USDA projected crop to the tune of 30 million bales in India. However, if the major cotton producing region i.e. northwest India receives poor rains, this projection might need revision. Apart from the weather concerns, healthy export and domestic demand of cotton are the other supporting factors for the prices at this stage. The exports which stopped for about three months on account of rising rupee has started again. The export demand likely to increase further as the global supply is down by 3% this year. Moreover, news of lower planted area of cotton in U.S. than previously thought added underlying bullish tone. The U.S. Agriculture Department in its June acreage report estimated planted acres at 11.058 million, down from the previous estimate of 12.15 million and well below the average trade guess of 11.56 million acres. As the area under cotton in US is expected to dip this year, higher cotton acreage in India is desired to cope with the global demand. On Monday, Shankar-6 (28mm) quoted Rs 200 up at Rs.19300-19600/candy in Gujarat on decreased arrivals of 2,500 bales. J-34 prices were also firm in the range of Rs.1950-2030/maund in Haryana. In Punjab, it traded higher between Rs.2015-2085/maund in different markets. The total arrivals in the country dipped to 2500 bales from 3000 bales. The prices are likely to remain firm in short term supported by firmness in overseas markets and shrinking domestic supplies.

### INTERNATIONAL MARKET:

NYBOT December cotton futures retreated some of the earlier gains on trade selling, but still managed to close the Friday's trade higher on the news that US planted area was smaller than previously though. Most-active December cotton closed up 170 points at 63.33 cents a pound for a gain of 2.76% from Thursday's settlement. December cotton's range was 62.80-64.40 cents. Friday's bullish acreage report took December cotton to a new contract and three-year high early in the session, as commodity funds bought heavily activating buy stops along the way.

### FUTURES MARKETS:

NCDEX Kapas futures traded slightly on the softer side Monday as the traders iterated the Saturday's hefty gains. The March 2008 contract opened weak at Rs 438 and then it traded weak in the range of Rs 434-441 before finally closing the session at Rs 440. Volumes as well as open interest increased significantly during the day.

### PRICE DRIVERS:

1. Shrinking arrivals against healthy domestic demand
2. Depleting stocks
3. Poor rainfall expected in north west India than earlier projected
4. Export demand rekindling

### WEATHER:

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

### TECHNICALS: NCDEX Kapas March Contract-2008

Charts are showing firmness in the cotton market. The prices closed above short term EMAs which supports bulls. MACD is showing increasing bullish momentum. However, overbought levels of stochastic warrant some caution on the part of bulls. Kapas is likely to trade with bullish bias.

### NCDEX Kapas March Contract-2008



### SUPPORT / RESISTANCES:

#### NCDEX Kapas MARCH Contract 2008

| Month | S1  | S2  | PCP | R1  | R2  |
|-------|-----|-----|-----|-----|-----|
| MARCH | 434 | 430 | 440 | 446 | 449 |

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-MARCH-Kapas above Rs.437 with target towards Rs.443 and then 435, Put stop loss at.433. Do not carry forward the position for the next trading day.

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets                      | Variety     | Units     | 02.06.07    | 30.06.07    | Change |
|------------------------------|-------------|-----------|-------------|-------------|--------|
| Sirsa- Haryana               | J-34        | Rs./Maund | 2000        | 1990        | +10    |
| Muktsar-Punjab               | J-34        | Rs./Maund | 2085        | 2065        | +20    |
| Abohar- Punjab               | J-34        | Rs./Maund | 2070        | 2050        | +20    |
| Sri Ganganagar-<br>Rajasthan | J-34        | Rs./Maund | 1960        | 1950        | +10    |
| Ahmedabad/Kadi<br>- Gujarat  | S-6 28 mm   | Rs./Candy | 19300-600   | 19300-400   | +200   |
| Ahmedabad/Kadi<br>- Gujarat  | V-797 Kapas | Rs./Candy | 15600-16300 | 15500-16200 | +100   |
| Maharashtra                  | Mech-I-29mm | Rs./Candy | 19700-900   | 19500-800   | +100   |
| Maharashtra                  | Y-1         | Rs./Candy | 17500-18000 | 18000       | -      |
| Madhya Pradesh               | Mech-I-29mm | Rs./Candy | 19800-20000 | 19800-20000 | -      |

### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.