

COTTON DAILY

6th JULY, 2007

SPOT MARKETS:

Cotton maintained bullish trend in North Indian markets while it was steady in the other major markets on account of sluggish arrivals against the healthy domestic demand, rekindling export demand and reports of lower than expected acreage under cotton plantation in the US. The exports which stopped for about three months owing to rising rupee started again. Export demand is likely to increase further as the global supply is down by 3% this year.

In Gujarat, the cotton acreage in this year is expected to reach 23 lakh hectares. More than 80% of cultivation is over. Out of which 14 lakh hectares of land is being sown with BT cotton in this State. Besides, experts and industry sources say that 25% increase in cotton area is expected across the country during 2007-08. According to the Gujarat government and state-based major cotton traders, 5 lakh hectares of staple cotton will be sown in August.

IMD's recent downward revision of rainfall in north-western India has become slightly concerning for the crop creating doubts as to country's expectation of a higher production this year. But, moderate to heavy rains in northwest India may affect the crop.

On Thursday, Shankar-6 (28mm) quoted steady at Rs.19500-19800/candy in Gujarat on reduced arrivals. J-34 prices were strong in the range of Rs.1970-2055/maund in Haryana. In Punjab, it traded higher between Rs.2040-2130/maund in different markets. The total arrivals in the country remained steady at 2,000 bales as against Tuesday's arrivals. The prices are likely to remain firm in the near term supported by firmness in overseas markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT remained closed on Wednesday and the trade will be resumed on Thursday. Cotlook Cotton Indexes remained unchanged on Tuesday. North Europe A Index (2006-07 Crop) was flat at 67.60 cents/pound. Far Eastern A Index (2006-07 Crop) was unchanged at 66.00 cents/pound. Far Eastern E Index (Forward Quotation) was steady at 67.95 cents/pound. Besides, the bullish trend observed in the Karachi cotton market on Tuesday as ginneries insisting to make any deal at the asking prices. KCA official spot rate remained flat at Rs 2650/maund.

FUTURES MARKETS:

NCDEX Kapas futures slipped on Thursday due to technical selling on profit taking at higher level. Most active April 2008 contract opened firm at Rs 451 against the last close of Rs.450.50 and thereafter traded down in the range of Rs 444.10-451.60. The market settled Rs.5.00 down at Rs 445.50.

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 rebirthing

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 indicating weak sentiment of the Kapas market. But prices closed far above short term EMAs, indicating short term bullish market. MACD is steady in positive zone, hinting upward trend may continue in medium term. However, overbought levels of Stochastic and RSI warrant some caution on the part of bulls. Volume of trade as well as Open Interest decreased, did not supports the markets. Kapas is likely to trade weak after steady to weak opening with possibility of some upward movement at later session.

OUTLOOK:

Short Term (1 Week): Steady to up on improving demand and reducing stocks.

Medium Term (1 Month): Bullish likely on dwindle supplies and improving international market.

Long Term (3 Months): Steady to down on higher acreage and expectation of higher production.

NCDEX Kapas APRIL Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	441	437	445.50	448	452

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.442 with target towards Rs.447 and then 450, Put stop loss strictly below Rs.438. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	05.07.07	04.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2035	2025	+10
Muktsar-Punjab	J-34	Rs./Maund	2115	2110	+5
Abohar- Punjab	J-34	Rs./Maund	2110	2100	+10
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1995	1990	+5
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19500-19800	19500-19800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15700-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	19900-20100	19900-20100	-
Maharashtra	Y-1	Rs./Candy	17700-18300	17700-18300	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19700-20200	19700-20200	-
Madhya Pradesh	Y-1	Rs./Candy	18000-18200	18000-18200	-

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