

COTTON DAILY

26th JULY, 2007

SPOT MARKETS:

The cotton prices rebounded to up on Wednesday at the domestic spot markets on fresh demand from the mills and exporters. In addition, improved in the global cotton markets also added to bullish tone. However, the higher acreage and expectation of bumper crop during the year are suppressing the market. The arrivals also remained mostly weak. Exporters were also purchased good volumes of cotton to cover their positions ahead of the new crop. In the past few weeks, Indian exporters have contracted around 300,000-400,000 bales of cotton for delivery in November, December and January.

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. It has almost completed in Gujarat.

Pakistan government has not permitted import of long staple cotton lint from India through Wagah Border on account of fumigation problem.

China's cotton consumption will increase to 59.7 million bales, by the end of 2007. The consumption is increasing at a 22% to 23% each year, which means the U.S. Department of Agriculture, would have to raise its China consumption estimate to 66 million bales by the end of the crop year, from 54 million currently.

On Wednesday, Shankar-6 (28mm) quoted up at Rs.20400-20700/candy in Gujarat. J-34 prices improved and traded in the range of Rs.2055-21000/maund in Haryana. In Punjab, it quoted up between Rs.2090-2155/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 rallied Tuesday amidst fund buying, and firm grains prices. Most-active December cotton climbed 105 points to close at 63.85 cents a pound. Cotlook Cotton Indexes remained unchanged. North Europe A Index (2006-07 Crop) was flat at 68.00 cents/pound. Far Eastern A Index (2006-07 Crop) was steady at 66.60 cents/pound. Far Eastern E Index (Forward Quotation) was unchanged at 67.95 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled up on early buying support and firm spot market on Wednesday. Market increased after steady opening but settled slight down from day's high. March-2008 contract closed Rs.1.20 up at Rs.450.60. Most active April 2008 contract opened steady at Rs.449.40 against the last close of Rs.449.30 and settled Rs.1.10 up at Rs.450.40 with traded within Rs.449-451.50.

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 moisture and replenish irrigation through major cotton areas.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating slight upward market for the next trading day. Prices settled just below short term EMAs, hinting short term steady to bearish. MACD is moving down from the positive zone, hinting bearish market as medium term. Stochastic and RSI are suggesting bullish market. Volume as well as Open interest significantly decreased. Kapas is likely to trade bullish after weak opening with possibility of some downward movement at the later session.

OUTLOOK:

Short Term (1 Week): Slight weak on bearish global cues and weak demand.

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	448	444	450.40	454	457

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.449 with target towards Rs.453 and then 455, Put stop loss strictly below Rs.446. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	25.07.07	24.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2075	2050	+25.00
Muktsar-Punjab	J-34	Rs./Maund	2155	2135	+20.00
Abohar- Punjab	J-34	Rs./Maund	2140	2120	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2035	2000	+35.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20700	20200-20400	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17000	16100-16900	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20600-20800	20500-20700	+100.00
Maharashtra	Y-1	Rs./Candy	18600-19000	18500-19000	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20800-21000	20700-21000	+100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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