

COTTON DAILY

20th JULY, 2007

SPOT MARKETS:

Indian cotton prices were up because of good demand from exporters amid flat supplies, traders said. Slowdown in supplies because of rains in western and central India also kept prices up. According to trade sources, the exporters purchased good volumes of cotton to cover their positions ahead of the new crop. They have already contracted to export of around 3-4 lakh bales of old and forthcoming new cotton crop for delivery in November, December and January.

According to the government, the area covered by cotton between May 1 and July 13 is estimated at 6.90 million hectares, up from 5.80 million hectares a year earlier.

Cotton arrivals has reached to 1.10 lakh bales at gins during week ending July 14 as compared to only 40,000 bales of the previous year same period. Gujarat contributed around 1-lakh bales of this volume, where the crop appears poised to reach or exceed 10 million bales for the first time. Total arrivals are now at 27.16 million bales, which go beyond 2006/07 output by 11.9%.

All Pakistan Textile Association (APTA) has said on Tuesday that the Pakistan government has not permitted import of long staple cotton lint from India through Wagah Border on account of fumigation problem.

On Thursday, Shankar-6 (28mm) quoted up at Rs.20800-21000/candy in Gujarat with no arrivals. J-34 prices declined in the range of Rs.2065-2120/maund in Haryana. In Punjab, it offered down between Rs.2085-2200/maund in different markets. Cotton market is likely to maintain bullish trend in the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures settled mostly up Wednesday. December cotton futures climbed 69 points at 66.39 cents/pound. Cotlook Cotton Indexes tumbled mostly. North Europe A Index (2006-07 Crop) was down by 160 points at 70.30 cents/pound. Far Eastern A Index (2006-07 Crop) lost 160 points at 68.75 cents/pound. Far Eastern E Index (Forward Quotation) slid 170 points at 70.45 cents/pound. In Karachi, KCA official spot rate has increased by Rs 25/maund to Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded rangebound on Wednesday amidst lack of buyers at upper level. Market declined after firm opening and traded within the thin range. Most active April 2008 contract opened firm at Rs.457.50 against the last close of Rs.456.20 and settled Rs.0.10 down at Rs.456.10 with traded within Rs.456.10-457.50.

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:

Early season rain and thunderstorms has provided generous soil moisture for early cotton planting in north and central India. The south India cotton belt has been drier and hotter recently, reducing moisture for this part of the crop.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting slight weak market for the next trading day. Prices settled just above short term EMAs, hinting short term bullish market. MACD is remaining steady in the positive zone, hinting steady market as medium term. Stochastic and RSI are hinting weak market. Volume of trade declined but Open interest increased. Kapas is likely to trade weak after weak opening with possibility of some upward movement at the 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	453	450	456.10	459	462

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.454 with target towards Rs.458 and then 461, Put stop loss strictly below Rs.450. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	19.07.07	18.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2100	2110	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2200	2220	-10.00
Abohar- Punjab	J-34	Rs./Maund	2195	2205	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2100	2110	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20800-21000	20600-20800	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16700-17000	16700-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	20600-20800	20200-20500	+400.00
Maharashtra	Y-1	Rs./Candy	18600-19000	18600-18800	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20800-21000	20400-20800	+400.00
Madhya Pradesh	Y-1	Rs./Candy	18700-18900	18700-18900	-

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