

## COTTON DAILY

27<sup>th</sup> JULY, 2007

### SPOT MARKETS:

The cotton prices remained steady to up on Thursday 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.

In India, the cotton arrivals for the old crop of 2006/07 have almost come to an end. Arrivals during the July 14 - 22 period was reported only totalled 40,000 bales, of which 25,000 bales were from Andhra Pradesh. Total arrivals have now reached 27.2 million bales as compared to 24.28 million bales of last year same period.

On Thursday, Shankar-6 (28mm) quoted steady at Rs.20400-20700/candy in Gujarat. J-34 prices remained steady and offered in the range of Rs.2055-21000/maund in Haryana. In Punjab, it quoted stable 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 extended earlier strength on Wednesday. Most active December cotton gained 10 points to close at 63.95 cents/pound. Cotlook Cotton Indexes soared. North Europe A Index (2006-07 Crop) climbed 85 points at 68.85 cents/pound. Far Eastern A Index (2006-07 Crop) gained 80 points at 67.40 cents/pound. Far Eastern E Index (Forward Quotation) added 100 points at 68.95 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

### FUTURES MARKETS:

NCDEX Kapas futures soared on Thursday amidst fresh buying support and strong fundamentals. Market hovered up after firm opening. March-2008 contract closed Rs.4.40 up at Rs.455. Most active April 2008 contract opened up at Rs.451 against the last close of Rs.450.40 and settled Rs.5.20 up at Rs.455.60 with traded within Rs.451-456.50.

### 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 strong bullish market for the next trading day. Prices settled above short term EMAs, hinting short term bullish. MACD is moving up in the positive zone, hinting upward market as medium term. Stochastic and RSI are suggesting bullish market. Volume as well as Open interest significantly increased. Kapas is likely to trade bullish after steady opening with possibility of some downward movement at the later session.

### OUTLOOK:

**Short Term (1 Week):** Slight up on improved demand and strengthening international markets.

**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	453	450	455.60	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.451. Do not carry forward the position for the next trading day.

# VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	26.07.07	25.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2080	2075	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2165	2155	+10.00
Abohar- Punjab	J-34	Rs./Maund	2140	2140	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2035	2035	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20700	20400-20700	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17000	16300-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	20700-20900	20600-20800	+100.00
Maharashtra	Y-1	Rs./Candy	18700-19000	18600-19000	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20800-21000	20800-21000	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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