

COTTON DAILY

13th JULY, 2007

SPOT MARKETS:

Cotton prices have been improving day by day in the cotton spot markets on account of good demand from exporters and stock holding coupled with shrinkage arrivals. Farmers are holding back stocks in expectation of further rise in prices in near future ahead of the new crop harvest in September. Presently, the exports which stopped for about three months due to rising rupee started again. According to trade sources, the exporters purchased good volumes of cotton in the last 10 days to cover their positions ahead of the new crop. They have already contracted to export of around 3-4 lakh bales of cotton for delivery in November, December and January.

As of July 6, 5.96 million hectares of cotton has been planted, up from 3.7 million hectares on the same date last season. Some replanting might be necessary in areas hit by the heaviest floods. Total cotton acreage remains on track to increase 5 to 10% this season, driven by the strong returns of 2006 and the yield success of BT cotton.

A total of 205,000 bales of old cotton crop were delivered to the gins in India during the week ended to July 7, 2007. Total old crop arrivals have reached 27,050,000 bales or 27.05 million bales, increase of 11.7% as compared to the last year same period.

On Thursday, Shankar-6 (28mm) traded up at Rs.20400-20500/candy in Gujarat and arrivals were reported to be nil. J-34 prices quoted up in the range of Rs.2055-2095/maund in Haryana. In Punjab, it offered up between Rs.2090-2185/maund in different markets. Cotton market is likely to remain hot in the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures slipped on Wednesday. Most-active December cotton lost 16 points at 66.92 cents/pound following setting a new high of 67.50 cents. Cotlook Cotton Indexes increased on Wednesday. In Pakistan, the KCA official spot rate increased further by Rs 25/maund at Rs.2800/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled at the contract high on Thursday amidst buying support and firm spot market. Futures market went down after slight weak opening on profit booking but recovered thereafter. Most active April 2008 contract opened slight weak at Rs.453 against the last close of Rs.453.20 and thereafter traded strong in the range of Rs.451.40-455. The contract settled at Rs.455, up by Rs.1.80.

PRICE DRIVERS:

1. Farmers holding back remaining stocks
2. Good demand from exporters; New export deal
3. Shrinkage arrivals; Improving international cotton market

WEATHER:

Monsoon rain has again turned violent in India's largest cotton-producing state of Gujarat. Monsoon rain was moderate across the remainder of the country, with more heavy rain forecast for the next 48 hours over eastern Rajasthan, Gujarat, Madhya Pradesh and Coastal Karnataka. Flooding of crop areas is now a major concern in Gujarat.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are showing upward market for the next trading day. Prices closed far above short term EMAs, suggesting short term strong market. MACD is remaining steady in the positive zone, hinting steady market as medium term. Stochastic and RSI are indicating strong market. Volume of trade decreased but Open Interest increased. Kapas is expected to trade steady to up after steady to firm opening with possibility of some downward movement at 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	451	447	455	458	462

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.452 with target towards Rs.457 and then 460, Put stop loss strictly below Rs.448. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	12.07.07	11.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2070	2055	+15.00
Muktsar-Punjab	J-34	Rs./Maund	2185	2170	+15.00
Abohar- Punjab	J-34	Rs./Maund	2165	2155	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2055	2040	+15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20500	20300-20500	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16400-17000	16400-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	19800-20100	19800-20100	-
Maharashtra	Y-1	Rs./Candy	18400-18600	18400-18600	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19900-20200	19900-20200	-
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18500-18800	-

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