

COTTON DAILY

9th JULY, 2007

SPOT MARKETS:

Cotton prices observed bullish sentiment on Saturday in most of the domestic market on the back of lacklustre arrivals against the improved demand, rekindling export demand and reports of lower than expected acreage under cotton plantation in the US. In addition, the exports which stopped for about three months due to rising rupee started again. Export demand is likely to increase further as the global supply is down by 3% this year.

The cotton sowing during the Kharif season picked up in the week ending Friday, according to the latest government data. Cotton was sown in around 5.96 million hectares of land, including 2.33 million ha under BT cotton, as against 3.7 million sown during the same period last year. The acreage is increasing due to Southwest monsoon covered the whole country.

The progress of the Southwest monsoon is crucial for the country's agriculture sector as more than 60% of agricultural land does not have irrigation facilities. According to the Indian Meteorological Department, the Southwest has covered the whole of India after the reaching the mainland in June.

On Saturday, Shankar-6 (28mm) quoted up at Rs.19900-20200/candy in Gujarat on lower arrivals of 1000 bales. J-34 prices offered up in the range of Rs.2025-2065/maund in Haryana. In Punjab, it traded bullish between Rs.2060-2135/maund in different markets. The total arrivals in the country remained as per Thursday's arrivals of 1,000 bales. Market prices are expected to maintain bullish sentiment in the near term on firmness in overseas markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures soared after hitting a three-year high on Friday. Most-active December cotton climbed 74 points at 64.63 cents/ pound. Cotlook Cotton Indexes increased on Friday. North Europe A Index (2006-07 Crop) was up by 35 points at 67.95 cents/pound. Far Eastern A Index (2006-07 Crop) was up by 35 points at 66.35 cents/pound. Far Eastern E Index (Forward Quotation) rose 35 points at 68.30 cents/pound. In Pakistan, KCA official spot rate has increased by Rs 25 to Rs 2675/maund.

FUTURES MARKETS:

NCDEX Kapas futures tumbled on Saturday amidst short covering and lack of fresh buyers at upper level. Market opened firm and fell from day's high on increased selling. Most active April 2008 contract opened firm at Rs 450 against the last close of Rs.449 and thereafter traded bearish in the range of Rs 447-451.80. The market settled Rs.1.50 down at Rs 447.50.

PRICE DRIVERS:

1. Mostly poor arrivals against healthy domestic demand
2. Farmers holding back remaining stocks
3. Increasing demand from Textile mills
4. Export demand rebirthing; Improving international cotton market

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 market of the Kapas futures. Prices closed far above short term EMAs, hinting 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 decreased but Open Interest increased. Kapas is likely to trade bearish after steady to weak opening with possibility of some upward movement at later session.

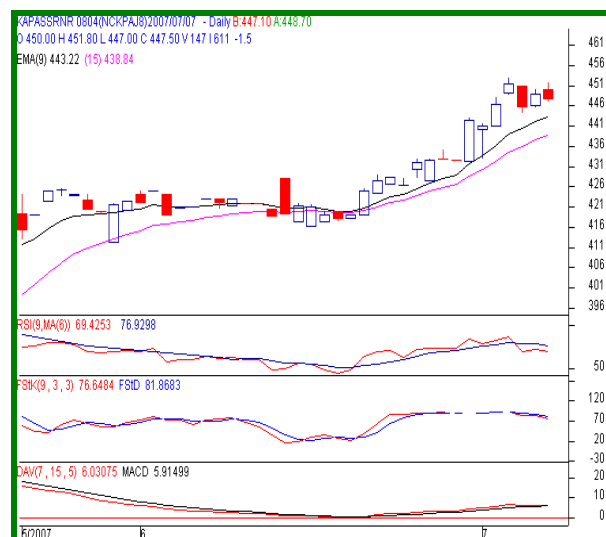
OUTLOOK:

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	445	440	447.50	452	455

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.446 with target towards Rs.451 and then 454, Put stop loss strictly below Rs.442. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	07.07.07	06.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2040	2035	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2135	2120	+15.00
Abohar- Punjab	J-34	Rs./Maund	2120	2105	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2005	2000	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19900-20200	19800-20200	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	16000-16800	-
Maharashtra	Mech-I-29mm	Rs./Candy	19700-20000	19700-19900	-
Maharashtra	Y-1	Rs./Candy	18300-18600	17500-18000	+800.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20200-20500	20200-20500	-
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18000-18200	+500.00

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