

COTTON DAILY

18th JULY, 2007

SPOT MARKETS:

The upward rallies of international cotton prices have provided support to the Indian domestic market. Besides, good demand from exporters and stock holding coupled with shrinkage arrivals are propelling the prices to 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 cotton for delivery in November, December and January. However, good weather and expectations of higher production during the current Kharif season's crop are expected to pull down prices in near future.

Cotton was planted in around 6.90 million hectares of land, including 2.43 million ha under BT cotton, as against 5.80 million sown during the same period last year. Meanwhile, sowing for the new crop has been completed in North Zone and there is 7-10% increase in the acreage. Sowing has started in Central Zone and South Zone, where there have been good rains.

The government announcing the export package on Thursday, textile commissioner JN Singh feels exports will be between 45-50 lakh bales, with a good demand from Turkey and China. They also reported that, cotton exporter Nayan Mirani feels exports will not go beyond 42 lakh bales as many exporters cancelled orders with firm local prices.

On Tuesday, Shankar-6 (28mm) quoted up at Rs.20600-20800/candy in Gujarat with no arrivals. J-34 prices quoted up in the range of Rs.2080-2120/maund in Haryana. In Punjab, it registered up between Rs.2120-2220/maund in different markets. Cotton market is expected to prevail bullish the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures backpedaled on Monday. December cotton futures slipped 63 points at 67.75 cents/pound. The Cotlook Cotton Indexes hovered up. North Europe A Index (2006-07 Crop) was up by 125 points at 72.30 cents/pound. Far Eastern A Index (2006-07 Crop) climbed by 120 points at 70.80 cents/pound. Far Eastern E Index (Forward Quotation) gained 125 points at 72.55 cents/pound. KCA official spot rate increased by Rs 25/maund at Rs 2875/maund.

FUTURES MARKETS:

NCDEX Kapas futures slipped on Tuesday amidst profit taking despite firm spot market. Futures market went up after weak opening but fell thereafter. Most active April 2008 contract opened down at Rs.458 against the last close of Rs.459.80 and settled Rs.1.40 down at Rs.458.40 with traded in the range of Rs.457.50-460.

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:

Monsoon rain has again turned violent in Gujarat. Monsoon rain was moderate across the remainder of the country, with heavy rain forecast over eastern Rajasthan, Gujarat, M.P. and Coastal Karnataka. Flooding of crop areas is now a major concern in Gujarat.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating indecisive market for the next trading day. Prices settled 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 indicating bearish market. Volume of trade as well as Open interest decreased. Kapas is likely to trade weak after 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	455	451	458.40	461	464

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.456 with target towards Rs.460 and then 462, Put stop loss strictly below Rs.453. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	17.07.07	16.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2105	2095	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2210	2200	+10.00
Abohar- Punjab	J-34	Rs./Maund	2200	2190	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2100	2080	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20500-20700	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16700-17000	16500-17000	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20000-20200	19900-20100	+100.00
Maharashtra	Y-1	Rs./Candy	18600-18800	18400-18600	+200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20100-20300	20000-20200	+100.00
Madhya Pradesh	Y-1	Rs./Candy	18700-18900	18500-18800	+200.00

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