

COTTON DAILY

25th JULY, 2007

SPOT MARKETS:

The cotton prices continued to go down presently on account of sluggish demand from the exporters as well as mills. In addition, bearish global cues in this time also added to bearish tone. Besides, the higher acreage and expectation of bumper crop during the year triggered the prices to get down. The prices had shot up in the first fortnight of this month due to good demand from exporters against the weak arrivals. Exporters were also purchased good volumes of cotton to cover their positions ahead of the new crop and they had 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 20 is estimated at 7.22 million hectares, up from 6.41 million hectares a year earlier.

Pakistan government has not permitted import of long staple cotton lint from India through Wagah Border on account of fumigation problem.

China's cotton consumption will increase to 59.7 million bales, by the end of 2007. The consumption is increasing at a 22% to 23% each year, which means the U.S. Department of Agriculture, would have to raise its China consumption estimate to 66 million bales by the end of the crop year, from 54 million currently.

On Tuesday, Shankar-6 (28mm) quoted down at Rs.20200-20400/candy in Gujarat. J-34 prices slipped and traded in the range of Rs.2040-2080/maund in Haryana. In Punjab, it quoted weak between Rs.2075-2140/maund in different markets. However, the cotton market is likely to recover in the medium term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures settled slight up on Monday. Most-active December cotton gained 8 points to finish at 62.80 cents/pound. Cotlook Cotton Indexes remained weak on Monday. North Europe A Index (2006-07 Crop) was down by 140 points at 68.00 cents/pound. Far Eastern A Index (2006-07 Crop) lost 130 points at 66.60 cents/pound. Far Eastern E Index (Forward Quotation) slipped 140 points at 67.95 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures rebounded to up on Tuesday amidst buying support. Market hovered up after mostly weak opening on early buying support and settled up. March-2008 contract closed Rs.2.40 up at Rs.449.40. Most active April 2008 contract opened mostly bearish at Rs.444.50 against the last close of Rs.447.20 and settled Rs.1.40 up at Rs.449 with traded within Rs.444.50-450.

PRICE DRIVERS:

1. Stockists holding back remaining stocks; Negligible arrivals
2. Sluggish demand from exporters & mills; Weak global markets

WEATHER:

Current weather is likely to be favourable for remaining sowing in South India and Western Parts of the country. Crop will get sufficient moisture from the soil.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting bullish market for the next trading day. Prices settled just below short term EMAs, favouring for the short term bears. MACD is moving down from the positive zone, hinting bearish market as medium term. Stochastic and RSI are suggesting bullish market. Volume decreased but Open interest increased. Kapas is likely to trade up after weak opening with possibility of some downward movement at the later session.

OUTLOOK:

Short Term (1 Week): Slight weak on bearish global cues and weak demand.

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	446	443	449	453	457

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.448 with target towards Rs.452 and then 455, Put stop loss strictly below Rs.445. Do not carry forward the position for the

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	24.07.07	23.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2050	2060	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2135	2145	-10.00
Abohar- Punjab	J-34	Rs./Maund	2120	2125	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1960	2000	-40.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20200-20400	20300-20500	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16100-16900	16200-17000	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20700	20600-20800	-100.00
Maharashtra	Y-1	Rs./Candy	18500-19000	18600-19000	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20700-21000	20800-21000	-100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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