

COTTON DAILY

23rd JULY, 2007

SPOT MARKETS:

Indian cotton prices were prevailed in the upper side during this month because of good demand from exporters amid flat supplies. Slowdown in supplies because of rains in western and central India also kept prices up. 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 old and forthcoming new cotton crop for delivery in November, December and January. But the prices sharply declined from Thursday due to falling demand from the mills, exporters and South Indian market. In addition, bearish global cues in this time also added to bearish tone.

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.

Cotton arrivals has reached to 1.10 lakh bales at gins during week ending July 14 over 40,000 bales of the last year same period. Gujarat contributed around 1-lakh bales of this volume, where the crop appears poised to reach or exceed 10 million bales for the first time. Total arrivals are now reached at 27.16 million bales.

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

On Saturday, Shankar-6 (28mm) quoted steady at Rs.20500-20800/candy in Gujarat. J-34 prices offered down at Rs.2050-2090/maund in Haryana. In Punjab, it registered down between Rs.2070-2170/maund in different markets. But, the cotton market is likely to recover in the near term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures slipped again Friday and closed near the session low. December cotton futures slipped 164 points at 62.85 cents and hit a fresh three-week low. Cotlook Cotton Indexes declined again on Friday. North Europe A Index (2006-07 Crop) was down by 160 points at 69.40 cents/pound. Far Eastern A Index (2006-07 Crop) lost 160 points at 67.90 cents/pound. Far Eastern E Index (Forward Quotation) slipped 175 points at 69.35 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures sharply fell down on Saturday amidst selling interest and weak spot market. Market sharply tumbled after mostly weak opening. Most active April 2008 contract opened bearish at Rs.452 against the last close of Rs.453.20 and settled Rs.7.20 down at Rs.446 with traded within Rs.445.80-452.

PRICE DRIVERS:

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

WEATHER:

Monsoon rains in the country are likely to remain weak in cotton-growing central regions over the next 5-days. This year's monsoon has been 111% of the long-term average and well distributed up to July 18.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting strong bearish market for the next trading day. Prices settled below short term EMAs, indicating short term bearish market. MACD is sharply moving down in the positive zone, hinting bearish market as medium term. Stochastic and RSI are suggesting bearish market. Volume as well as Open interest increased, supports market's trend. Kapas is likely to trade soft after weak opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Weak on bearish global cues.

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	440	433	446	448	453

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.447 with target towards Rs.441 and then 437, Put stop loss strictly above Rs.452. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.07.07	20.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2070	2080	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2175	2185	-10.00
Abohar- Punjab	J-34	Rs./Maund	2150	2170	-20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2060	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20800	20500-20800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17000	16300-17000	-
Maharashtra	Mech-I-29mm	Rs./Candy	20200-20500	20400-20600	-200.00
Maharashtra	Y-1	Rs./Candy	18200-18500	18400-18700	-200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20400-20600	20600-20900	-200.00
Madhya Pradesh	Y-1	Rs./Candy	18700-18900	18700-18900	-

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.