

COTTON DAILY

7th JULY, 2007

SPOT MARKETS:

Cotton prices remained mostly strong in North Indian as well as Gujarat and M.P. 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.

In Gujarat, the cotton acreage in this year is expected to reach 23 lakh hectares. More than 80% of cultivation is over. Out of which 14 lakh hectares of land is being sown with BT cotton in this State. Besides, experts and industry sources say that 25% increase in cotton area is expected across the country during 2007-08. According to the Gujarat government and state-based major cotton traders, 5 lakh hectares of staple cotton will be sown in August.

IMD's recent downward revision of rainfall in north-western India has become slightly concerning for the crop creating doubts as to country's expectation of a higher production this year. But, moderate to heavy rains in northwest India may affect the crop.

On Friday, Shankar-6 (28mm) quoted mostly up at Rs.19800-20200/candy in Gujarat on reduced arrivals of 1000 bales. J-34 prices offered up in the range of Rs.2005-2040/maund in Haryana. In Punjab, it traded bullish between Rs.2050-2120/maund in different markets. The total arrivals in the country remained weak at 1,000 bales as against Thursday's arrivals. 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 closed mostly up Thursday on spec buying and made new contract high. Most-active December cotton closed up 41 points at 63.89 cents/pound. Cotlook Cotton Indexes was unchanged. North Europe A Index (2006-07 Crop) was flat at 67.60 cents/pound. Far Eastern A Index (2006-07 Crop) was unchanged at 66.00 cents/pound. Far Eastern E Index (Forward Quotation) was steady at 67.95 cents/pound. Besides, the bullish trend observed in the Karachi cotton market on Tuesday as ginners insisting to make any deal at the asking prices. KCA official spot rate remained flat at Rs 2650/maund.

FUTURES MARKETS:

NCDEX Kapas futures rebounded to up on Friday amidst fresh buying support and firm spot market. Most active April 2008 contract opened weak at Rs 445.90 against the last close of Rs.447.40 and thereafter traded firm in the range of Rs 445.50-450. The market settled Rs.0.70 up at Rs 448.10.

PRICE DRIVERS:

1. Shrinking arrivals against healthy domestic demand
2. Reducing stocks
3. Poor rainfall expected in north west India than earlier projected
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 strong market of the Kapas futures. Prices closed far above short term EMAs, indicating 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 as well as Open Interest increased, supports the markets. Kapas is likely to trade bullish after steady to weak 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	445	440	448.10	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	06.07.07	05.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2035	2035	-
Muktsar-Punjab	J-34	Rs./Maund	2120	2115	+5
Abohar- Punjab	J-34	Rs./Maund	2105	2110	-5
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2000	1995	+5
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19800-20200	19500-19800	+300
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	15700-16500	+300
Maharashtra	Mech-I-29mm	Rs./Candy	19700-19900	19900-20100	-200
Maharashtra	Y-1	Rs./Candy	17500-18000	17700-18300	-200
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20200-20500	19900-20200	+300
Madhya Pradesh	Y-1	Rs./Candy	18000-18200	18000-18200	-

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