

## COTTON DAILY

2<sup>nd</sup> AUGUST, 2007

### SPOT MARKETS:

The Trading activity was observed continued to steady on Wednesday in the domestic cotton market owing to average demand from the spinners and exporters. In addition, strengthening of international cotton prices also added to positive tone. However, the higher acreage and expectation of bumper crop during the year are suppressing the market sentiment. Indian exporters have contracted around 3-4 lakh bales of cotton for delivery in November, December and January. Besides, the various international companies are now very much eager to buy cotton from the grower, which means that local cotton demand is growing in markets like U.S. and Europe.

In Gujarat, the cotton sowing has been completed during this Kharif season. The total area of cotton cultivation in the state covers 25 lakh hectares of the 93 lakh hectare in the entire country. The present weather condition is to be the most favourable for cotton cultivation. In the country, around 85-90% of the total coverage of cotton has been completed.

The cotton production in the country is expected to surge by 10% to about 300 lakh bales (30 million bales) in 2007-08 (October-September) as compared to 270 lakh bales in 2006-07. The main factors behind this are higher acreage and rainfall trend coupled with more area under Bt cotton.

On Wednesday, Shankar-6 (28mm) offered steady at Rs.20500-20800/candy in Gujarat. J-34 prices offered flat in the range of Rs.2085-2125/maund in Haryana. In Punjab, it quoted steady between Rs.2100-2170/maund in different markets. The cotton market is expected to trade bullish in the medium term on expectation of higher international markets and shrinking domestic supplies.

### INTERNATIONAL MARKET:

NYBOT cotton futures settled up on Tuesday. Most-active December cotton gained 35 points to close at 64.90 cents/pound. Cotlook Cotton Indexes soared on Tuesday. Therefore North Europe A Index (2006-07 Crop) climbed 100 points at 69.60 cents/pound. Far Eastern A Index (2006-07 Crop) gained 100 points at 68.15 cents/pound. Besides, Far Eastern E Index (Forward Quotation) increased 100 points at 69.70 cents/pound. In Karachi, KCA official cotton spot rate remained flat at Rs 2900/maund.

### FUTURES MARKETS:

NCDEX Kapas futures traded bullish on Wednesday amidst profit booking coupled with fresh buying. Market went up after weak opening but set back from day's high. March-2008 contract closed Rs.1.80 up at Rs.451.30. Most active April 2008 contract opened down at Rs.448.10 against the last close of Rs.449.20 and settled Rs.1.40 up at Rs.450.60 with traded within Rs.447.90-452.

### PRICE DRIVERS:

1. Stockists holding back remaining stocks; Shrinkage arrivals
2. Steady demand from exporters & mills; Improving global markets

### WEATHER:

Thunderstorms reached into northwest India during the past few weeks. This is an early rain event for this region and should allow for early planting. Increasing rainfall in central India will help recharge soil

### TECHNICALS: NCDEX Kapas APRIL Contract-2008

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

### OUTLOOK:

**Short Term (1 Week):** Slight up on improved demand and strengthening international markets.

**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	448	445	450.60	454	456

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-APRIL-Kapas above Rs.449 with target towards Rs.453 and then Rs.452, Put stop loss strictly below Rs.446. Do not carry forward the position for the next trading day.

# VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	01.08.07	31.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2100	2100	-
Muktsar-Punjab	J-34	Rs./Maund	2170	2170	-
Abohar- Punjab	J-34	Rs./Maund	2150	2150	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2040	-
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	20700-20900	20500-20800	+200.00
Maharashtra	Y-1	Rs./Candy	18900-19400	18800-19200	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20900-21100	20800-21000	+100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

## 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.