

COTTON DAILY

10th AUGUST, 2007

SPOT MARKETS:

Indian cotton prices were weak on Thursday amidst good progress in summer cotton plantings across the country and poor demand from local millers and exporters. The millers and exporters are waiting for new crop arrivals therefore they are staying away from the market. The growers are also liquidating remaining stocks at higher rate. Some weakness in international cotton prices is also added to bearish tone. But, 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. Indian millers have already contracted to export around 300,000 tons of cotton from the new crop.

Cotton sowing has reached at 8.51 million hectares as of May 1-August 3, up from 7.98 mln ha over last year same period. BT cotton was sown on around 4.67 mln hectares. The sowing is likely to go up to 9.5 million hectares from 9.1 mln ha last marketing year. In Gujarat, cotton has been sown in around 81 lakh hectares of land till July end this Kharif season over 75 lakh hectares during the corresponding period last year. In addition, cotton acreage increased 2% to 2.71 million hectares in Maharashtra.

Cotton production in the country is expected to surge by 10% to about 310 lakh bales in 2007-08 as compared to 280 lakh bales in 2006-07. Acreage has increased due to the continued firmness of cotton prices.

On Thursday, Shankar-6 (28mm) traded flat at Rs.20400-20600/candy in Gujarat. J-34 prices offered down in the range of Rs.2045-2080/maund in Haryana. In Punjab, it offered weak between Rs.2080-2130/maund in different markets. Cotton market is likely to be remaining strong in the medium term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Wednesday. Most active December cotton gained 53 points at 63.51 cents/pound and traded within 63.25-63.80 cents. Cotlook Cotton Indexes declined on Wednesday. Therefore North Europe A Index (2007-08 Crop) lost 70 points at 79.65 cents/pound. Far Eastern A Index (2007-08 Crop) slid 80 points at 68.15 cents/pound. In Karachi, KCA official spot rate has further increased by Rs 50 at Rs 3100/maund.

FUTURES MARKETS:

NCDEX Kapas continued to trade down on Thursday amidst selling interest on higher production estimates and weak spot market. Market tumbled after weak opening though some correction seen at last hour. March-2008 contract slid Rs.3.30 at Rs.435.50. Most active April 2008 contract opened weak at Rs.438.40 over the last close of Rs.439.10 and lost Rs.3.50 at Rs.435.60 with traded within Rs.434-439.20.

PRICE DRIVERS:

1. Higher production estimates; Moderate supplies
2. Feeble demand from exporters & mills; Higher acreage

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 moisture and replenish irrigation through major cotton areas.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting bearish market for the next trading day. Prices settled far below short term EMAs, indicating short term weak market. MACD is moving down in the negative zone, hinting downward market as medium term. Stochastic and RSI leaving some scope of technical buying. Volume declined but Open interest increased. Kapas is likely to trade soft after weak opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to weak on weak global markets and weak domestic demand.

Medium Term (1 Month): Steady likely on average demand and expectation of higher output.

Long Term (3 Months): Up likely on strong export demand and expectation of higher international markets.

NCDEX Kapas APRIL Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	432	428	435.60	440	444

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.437 with target towards Rs.432 and then Rs.430. Put stop loss strictly above Rs.441. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	09.08.07	08.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2060	2075	-15.00
Muktsar-Punjab	J-34	Rs./Maund	2130	2140	-10.00
Abohar- Punjab	J-34	Rs./Maund	2105	2125	-20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2010	2020	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20600	20400-20600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16100-17000	16300-17100	-200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20400-20600	+100.00
Maharashtra	Y-1	Rs./Candy	18800-19200	18800-19200	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20600-20800	20500-20700	+100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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