

COTTON DAILY

6th AUGUST, 2007

SPOT MARKETS:

Cotton prices slipped again on Saturday at most of the markets in the country on account of poor demand from local millers and exporters. The growers are also liquidating their remaining stocks at higher rate. But, strengthening of international cotton prices is underpinning the Indian cotton market. However, the higher acreage and expectation of bumper crop during the year are suppressing the market sentiment. 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.

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. Out of this, insect-resistant BT cotton was sown on around 4.67 mln hectares.

Cotton production in the country is expected to surge by 10% to about 300 lakh 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.

Old cotton crop arrivals in the gins reached 215,000 bales during week ending July 28 as compared to only 5,000 bales last season during the same period. Total arrivals of 2006/07 crop have now reached at 27,415,000 bales.

On Saturday, Shankar-6 (28mm) slipped and traded at Rs.20500-20700/candy in Gujarat. J-34 prices offered down in the range of Rs.2075-2110/maund in Haryana. In Punjab, it quoted slight down between Rs.2090-2155/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 settled up on Friday amidst moderate fund buying. December cotton gained 31 points to close at 64.89 cents/pound and traded within the range of 64.45-65.00 cents. Cotlook Cotton Indexes slightly increased on Friday. Therefore North Europe A Index (2007-08 Crop) gained 10 points at 71.30 cents/pound. Far Eastern A Index (2007-08 Crop) added 15 points at 69.65 cents/pound. In Karachi, KCA official spot rate remained flat at Rs 3000/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled slight down Saturday amidst profit taking and weak spot market. Market went down after firm opening but recovered thereafter and finally set back from day's high. March-2008 contract slid Rs.0.30 at Rs.446. Most active April 2008 contract opened up at Rs.445.90 against the last close of Rs.445.80 and settled Rs.0.30 down at Rs.445.50 with traded within Rs.444.20-447.

PRICE DRIVERS:

1. Stockists releasing remaining stocks; Moderate supplies
2. Weak 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 moisture and replenish irrigation through major cotton areas.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are slight firmness in the market for the next trading day. Prices settled below short term EMAs, hinting short term slight bearish market. MACD is moving down in the negative zone, hinting bearish market as medium term. Stochastic and RSI are suggesting bearish market. Volume as well as Open interest decreased. Kapas is likely to trade slight weak after weak opening with possibility of some upward 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	442	440	445.50	450	453

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.444 with target towards Rs.449 and then Rs.452, Put stop loss strictly below Rs.440. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	04.08.07	03.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2090	2100	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2155	2160	-5.00
Abohar- Punjab	J-34	Rs./Maund	2130	2140	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2070	-30.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20700	20600-20800	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16400-17200	16300-17000	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20500-20800	-
Maharashtra	Y-1	Rs./Candy	18800-19200	18800-19200	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20500-20700	20800-21000	-300.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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