

COTTON DAILY

8th AUGUST, 2007

SPOT MARKETS:

Cotton prices remained slight weak in Gujarat on Tuesday amidst lack of buyers but it was witnessed steady in other markets despite weak demand from the mills and exporters against the mostly weak arrivals. 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. In Gujarat, the Agriculture department is confident that the cotton production will boost up due to good rains this season. The second spell of rainfall is expected to benefit cotton crops. 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.

Cotton production in the country is expected to surge by 10% to about 300 lakh bales in 2007-08 as compared to 270 lakh bales in 2006-07. Acreage has increased due to the continued firmness of cotton prices.

On Tuesday, Shankar-6 (28mm) traded weak at Rs.20400-20600/candy in Gujarat. J-34 prices quoted flat in the range of Rs.2065-2115/maund in Haryana. In Punjab, it quoted steady between Rs.2090-2150/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 tumbled on Monday amidst speculative selling. Most active December cotton slipped 82 points at 64.07 cents/pound. Cotlook Cotton Indexes slightly increased. North Europe A Index (2007-08 Crop) gained 5 points at 71.35 cents/pound. Far Eastern A Index (2007-08 Crop) added 10 points at 69.75 cents/pound. In Karachi, KCA official spot rate remained flat at Rs 3000/maund. In the ready business the deals were stuck between Rs 3225-3300/maund.

FUTURES MARKETS:

NCDEX Kapas futures plunged on Tuesday amidst continued selling interest and weak NYBOT cotton market. Market slipped after weak opening though some correction was seen thereafter. March-2008 contract slid Rs.2.70 at Rs.440.50. Most active April 2008 contract opened weak at Rs.442 over the last close of Rs.443.40 and settled Rs.2.80 down at Rs.440.60 with traded within Rs.438.40-442.50.

PRICE DRIVERS:

1. Stockists releasing remaining stocks; Moderate supplies
2. Weak 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 suggesting bearish market for the next trading day. Prices settled far below short term EMAs, hinting short term weak 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 increased. Kapas is likely to trade weak after weak opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Up on expectation of additional demand and strengthening international markets.

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

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	433	430	440.60	443	448

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.442 with target towards Rs.437 and then Rs.434. Put stop loss strictly above Rs.446. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	07.08.07	06.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2085	2085	-
Muktsar-Punjab	J-34	Rs./Maund	2150	2150	-
Abohar- Punjab	J-34	Rs./Maund	2130	2130	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2030	2030	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20600	20500-20700	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17100	16400-17200	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20400-20600	20400-20600	-
Maharashtra	Y-1	Rs./Candy	18800-19200	18800-19200	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20500-20700	20500-20700	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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