

COTTON DAILY

9th AUGUST, 2007

SPOT MARKETS:

Overnight sluggish sentiments for cotton trade across North India prevailed Wednesday on limited demand from the exporters and millers. However, the market was steady in other markets despite weak demand from the mills and exporters against the mostly weak arrivals. The growers are also liquidating remaining stocks at higher rate. Some weakness in international cotton prices is also added to bearish tone. Higher acreage and expectation of bumper crop during the year are restricting upward movement. 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.

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. Total acreage is likely to reach near 10.0 mln ha. 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. Crop conditions in India are favourable.

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 Wednesday, Shankar-6 (28mm) traded flat at Rs.20400-20600/candy in Gujarat. J-34 prices quoted down in the range of Rs.2055-2110/maund in Haryana. In Punjab, it offered weak between Rs.2080-2140/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 plummeted. Most active December cotton plunged 109 points at 62.98 cents/pound. Cotlook Cotton Indexes plunged on Tuesday. North Europe A Index (2007-08 Crop) lost 100 points at 70.35 cents/pound. Far Eastern A Index (2007-08 Crop) slid 80 points at 68.95 cents/pound. In Karachi, RCA official spot rate reached highest-ever level of Rs 3050/maund. Raw cotton prices have hit a new peak level of Rs 3350/maund in Karachi Cotton Exchange.

FUTURES MARKETS:

NCDEX Kapas futures settled down Wednesday amidst early selling pressure and weak spot market. Market went up after weak opening but tumbled thereafter though some correction seen at last hour. March-2008 contract slid Rs.1.50 at Rs.439. Most active April 2008 contract opened weak at Rs.439.40 over the last close of Rs.440.70 and slipped Rs.1.70 at Rs.439 with traded within Rs.436-442.50.

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 slight weak 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 bearish market as medium term. Stochastic indicates some technical buying but RSI hints weak market. Volume as well as Open interest increased. Kapas is likely to trade bearish 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	433	430	439	441	444

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.440 with target towards Rs.435 and then Rs.432. Put stop loss strictly above Rs.444. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	08.08.07	07.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2075	2085	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2140	2150	-10.00
Abohar- Punjab	J-34	Rs./Maund	2125	2130	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2020	2030	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20600	20400-20600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17100	16300-17100	-
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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