

## COTTON DAILY

7th AUGUST, 2007

### SPOT MARKETS:

Cotton prices remained slight weak in North Indian markets on Monday amidst limited trade and it was witnessed steady in other markets on 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.

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 Monday, Shankar-6 (28mm) traded steady at Rs.20500-20700/candy in Gujarat. J-34 prices quoted down in the range of Rs.2065-2115/maund in Haryana. In Punjab, it quoted slight down 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 remained closed on Saturday and Sunday on weekend holiday. In Pakistan, the trading activity was active in the Karachi cotton market on Saturday because most of the mills covered the near-term needs. The Karachi Cotton Association (KCA) official spot rate remained flat at Rs 3000/maund. In the ready business the deals were stuck between Rs 3175-3200/maund.

### FUTURES MARKETS:

NCDEX Kapas futures closed in the negative territory on Monday amidst early selling pressure and weak spot sentiment. Market plunged after weak opening but recovered thereafter on profit taking. March-2008 contract slid Rs.2.40 at Rs.443.50. Most active April 2008 contract opened weak at Rs.444.10 against the last close of Rs.445.40 and settled Rs.1.80 down at Rs.443.60 with traded within Rs.440.50-444.10.

### 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 hinting slight bullish market for the next trading day. Prices settled below short term EMAs, indicating short term bearish market. MACD is moving down in the negative zone, hinting bearish market as medium term. Stochastic and RSI are suggesting bearish market. Volume increased but Open interest decreased. Kapas is likely to trade soft initially 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	440	433	443.60	446	450

### TRADE RECOMMENDATION (INTRADAY)

**Buy** NCDEX-APRIL-Kapas above Rs.441 with target towards Rs.445 and then Rs.448. Put stop loss strictly below Rs.437. Do not carry forward the position for the next trading day.

# VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	06.08.07	04.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2085	2090	-5.00
Muktsar-Punjab	J-34	Rs./Maund	2150	2155	-5.00
Abohar- Punjab	J-34	Rs./Maund	2130	2130	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2030	2040	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20700	20500-20700	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16400-17200	16400-17200	-
Maharashtra	Mech-I-29mm	Rs./Candy	20400-20600	20500-20800	-100.00
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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