

COTTON DAILY

3rd AUGUST, 2007

SPOT MARKETS:

Spot cotton kept to trend mix at western India markets Thursday. While an uptrend was noted across Gujarat and prices lowered in Madhya Pradesh. However, it remained rangebound in North Indian markets. Strengthening of international cotton prices underpinned the Indian cotton market. However, the higher acreage and expectation of bumper crop during the year are suppressing the market sentiment. Indian exporters have contracted around 3-4 lakh bales of cotton for delivery in November, December and January. 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 crops have been sown in around 7.37 million hectares of land as of May 1-July 27, which was up 11% as compared to last year same period. Out of this, insect-resistant BT cotton was sown on around 4.03 million hectares. The area under BT cotton crops has almost doubled on the year, which will ensure a bumper production this year.

The cotton production in the country is expected to surge by 10% to about 300 lakh bales (30 million 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.

On Thursday, Shankar-6 (28mm) offered up at Rs.20600-20900/candy in Gujarat. J-34 prices offered flat in the range of Rs.2085-2125/maund in Haryana. In Punjab, it quoted steady between Rs.2100-2170/maund in different markets. The cotton market is expected to trade bullish in the medium term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures slipped on Wednesday. Most-active December cotton slid 64 points to close at 64.26 cents/pound. Cotlook Cotton Indexes climbed again on Wednesday. North Europe A Index (2007-08 Crop) climbed 25 points at 71.85 cents/pound. Far Eastern A Index (2007-08 Crop) gained 35 points at 70.05 cents/pound. In Karachi, KCA official spot rate soared by Rs 50/maund to Rs 2950/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled up on Thursday amidst fresh buying and firm spot market. Market went up after weak opening and settled near the session high. March-2008 contract closed Rs.2.80 up at Rs.453.80. Most active April 2008 contract opened down at Rs.449.30 against the last close of Rs.450.40 and settled Rs.3.10 up at Rs.453.50 with traded within Rs.449-453.70.

PRICE DRIVERS:

1. Stockists holding back remaining stocks; Shrinkage arrivals
2. Steady 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 indicating bullish market for the next trading day. Prices settled above short term EMAs, hinting short term bullish market. MACD is moving up in the positive zone, hinting strong market as medium term. Stochastic and RSI are suggesting bullish market. Volume as well as Open interest decreased. Kapas is likely to trade up after weak opening with possibility of some downward 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	451	448	453.50	456	459

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.452 with target towards Rs.456 and then Rs.458, Put stop loss strictly below Rs.449. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	02.08.07	01.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2100	2100	-
Muktsar-Punjab	J-34	Rs./Maund	2170	2170	-
Abohar- Punjab	J-34	Rs./Maund	2150	2150	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2040	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20900	20500-20800	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16400-17000	16300-17000	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20600-20800	20700-20900	-100.00
Maharashtra	Y-1	Rs./Candy	18900-19400	18900-19400	+100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20800-21000	20900-21100	-100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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