

COTTON DAILY

4th AUGUST, 2007

SPOT MARKETS:

Cotton prices stumbled in the Western and Gujarat market on Friday on account of poor demand from local millers and exporters. However, the prices remained flat at upper side in North Indian market due to tight supply. But, strengthening of international cotton prices are 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.

According to the latest government data, the cotton crops have been sown in around 8.51 million hectares of land as of May 1-August 3, which was up from 7.98 million ha as compared to last year same period. Out of this, insect-resistant BT cotton was sown on around 4.67 million hectares. In Gujarat, the cotton sowing has been completed during this Kharif season.

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 Friday, Shankar-6 (28mm) offered down at Rs.20600-20800/candy in Gujarat. J-34 prices offered flat in the range of Rs.2085-2125/maund in Haryana. In Punjab, it quoted slight down between Rs.2100-2160/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 climbed at the last hour of the trade to finish higher on Thursday amidst strong fund buying. Most active December cotton climbed 32 points to close at 64.58 cents/pound. Cotlook Cotton Indexes slipped on Thursday. North Europe A Index (2007-08 Crop) slid 65 points at 71.20 cents/pound. Far Eastern A Index (2007-08 Crop) lost 65 points at 69.50 cents/pound. In Karachi, KCA official spot rate soared again by Rs 50/maund to Rs 3000/maund.

FUTURES MARKETS:

NCDEX Kapas futures tumbled down on Thursday amidst profit booking and weak spot market. Market fell after weak opening. March-2008 contract closed Rs.7.10 down at Rs.446.40. Most active April 2008 contract opened down at Rs.452 against the last close of Rs.453.40 and settled Rs.7.60 down at Rs.445.80 with traded within Rs.445.50-453.

PRICE DRIVERS:

1. Stockists releasing remaining stocks; Sluggish 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 indicating strong bearish market for the next trading day. Prices settled below short term EMAs, hinting short term bearish market. MACD is moving down in the positive zone, hinting weak market as medium term. Stochastic and RSI are suggesting downward market. Volume increased but Open interest decreased. Kapas is likely to trade soft 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	445.80	450	453

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.448 with target towards Rs.444 and then Rs.442, Put stop loss strictly above Rs.451. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	03.08.07	02.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2100	2100	-
Muktsar-Punjab	J-34	Rs./Maund	2160	2170	-10.00
Abohar- Punjab	J-34	Rs./Maund	2140	2150	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2070	2040	+30.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20700-20900	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17000	16400-17000	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20600-20800	-100.00
Maharashtra	Y-1	Rs./Candy	18800-19200	18900-19400	-100.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20800-21000	20800-21000	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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