

COTTON DAILY

25th AUGUST, 2007

SPOT MARKETS:

Domestic cotton prices rose across Gujarat market Friday on improved trade and recovery in mills demand. Elsewhere, in Western India and North India, prices were mostly steady. Market is also influenced on the weak arrivals from the main cotton growing areas as the farmers are busy with harvesting. The market participants are adopting a 'wait and watch' policy as Kharif sown cotton crops are due in two weeks time, which will determine further market direction depending on quality and quantity of the produce. Some arrivals of new cotton crop have started from Punjab, Haryana and Rajasthan. However, the cotton prices will be determined in the near future when full-fledged arrivals will come from main cotton growing areas of Gujarat and Maharashtra. The volatility in international cotton prices and its uncertain future is also keeping pressure in the Indian cotton market. Besides, China's cotton import from India has slipped by 72.9% on year to 7,615 metric tonnes.

Area under cotton is estimated at 8.76 Mln Ha on May 1- August 24, increased from the 8.22 Mln Ha on the same date last year. Out of the total area, Bt cotton sowing reached more than 5.33 Mln Ha.

Old cotton crops arrivals at gins have declined, with arrivals confined to Karnataka and Tamil Nadu in the south. As of August 18, total arrivals reached to 27.935 Mln Bales, up by 16.1% year-on-year expansion. Gujarat contributed totaled at 10.1 million bales.

On Friday, Shankar-6 (28mm) quoted up at Rs.20500-20700/candy in Gujarat. J-34 prices offered flat in the range of Rs.2020-2050/maund in Haryana. In Punjab, it offered steady between Rs.2025-2100/maund in different markets on fresh arrivals of new crop. Cotton prices are likely to remain steady to up in the near future. Enquiries and some commitments for cotton exports have already started.

INTERNATIONAL MARKET:

NYBOT cotton futures settled marginally up and closed nearer the session high on Thursday. December cotton futures gained 25 points at 58.61 cents/pound. Cotlook Cotton Indexes slightly increased. North Europe A Index (2007-08 Crop) gained 5 points at 66.10 cents/pound. Far Eastern A Index (2007-08 Crop) added 10 points at 65.15 cents/pound. In Karachi, the KCA official spot rate remained flat at Rs 2950/maund.

FUTURES MARKETS:

NCDEX Kapas futures plunged on Friday amidst strong selling pressure in expectation of higher output. Market dipped after weak opening and closed nearer the session low. March-2008 contract lost Rs.6 at Rs.426. Most active April 2008 contract opened weak at Rs.429.70 over the last close of Rs.430.20 and slid Rs.5.40 at Rs.424.80 and traded within Rs.424.50-429.70.

PRICE DRIVERS:

1. Higher production estimates; Weak supplies
2. Fresh import demand from Pakistan
3. Improved demand from exporters & mills; Higher acreage

WEATHER:

Rains may be causing flooding in some southern growing areas of west India and Pakistan. Mostly dry/favorable conditions in the north.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts predict sharply bearish market for the next trading day. Prices closed below short term EMAs, hinting short term weak market. MACD remains in the negative zone, indicating some recovery in medium term. Stochastic and RSI are hinting strongly bearish market. Volume as well as open interest significantly 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 up on depleting stocks and improving domestic mills demand.

Medium Term (1 Month): Slight down likely on arrivals of new crop and higher production estimation.

Long Term (3 Months): Bullish likely on higher 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	420	417	424.80	427	430

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.426 with target towards Rs.421 and then Rs.419. Put stop loss strictly above Rs.430. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	24.08.07	23.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2030	2030	-
Muktsar-Punjab	J-34	Rs./Maund	2110	2110	-
Abohar- Punjab	J-34	Rs./Maund	2085	2085	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1980	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20700	20400-20600	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15900-16600	15800-16500	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20300-20500	20300-20500	-
Maharashtra	Y-1	Rs./Candy	18700-19000	18700-19000	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20300-20500	20300-20500	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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