

COTTON DAILY

17th AUGUST, 2007

SPOT MARKETS:

Cotton prices traded weak on Thursday in Gujarat on dull demand while it was steady in other major markets. The demand from local millers and exporters was sluggish. Besides, good progress in summer cotton plantings across the country added to bearish note. Millers and exporters are waiting for new crop arrivals therefore they are staying away from the market. Growers are also liquidating remaining stocks at present rate. New cotton crop is likely to hit the market in early September in Punjab. Indian millers have already contracted to export around 3-lakh tons of cotton from the new crop. APTMA has decided to import cotton on immediate basis from India through all ports of entry. Heavy spells of rain in the Saurashtra region of Gujarat, which are believed to have damaged this year's cotton crop. Many farms in Saurashtra and Junagadh, two major cotton hubs in Gujarat, have reportedly been flooded due to the massive downpour.

Total area under cotton is estimated at 8.62 mln ha, as of Aug. 8 up from 8.17 mln ha a year earlier and plantings are still in progress. Sowing of Bt varieties reached at around 5.33 mln ha. Therefore, cotton production in the country is expected to surge by 10% to about 310 lakh bales in 2007-08 as compared to 280 lakh bales in 2006-07.

Indian Ministry of Textiles has declared the minimum support prices (MSP) for cotton for the crop year 2007-08. The basic support prices were Rs.1,800/quintal for medium-staple cotton and Rs.2,030/quintal for longer-staple cotton.

On Thursday, Shankar-6 (28mm) traded weak at Rs.20000-20300/candy in Gujarat. J-34 prices offered steady in the range of Rs.2025-2060/maund in Haryana. In Punjab, it offered stable between Rs.2050-2100/maund in different markets. Cotton market is likely to be remaining strong in the long term on expectation of higher international markets and strong export demand.

INTERNATIONAL MARKET:

NYBOT cotton futures hit the eight-week low on Wednesday. Most active December cotton slipped 36 points at 60.18 cents/pound and traded in the range of 60.01-61.20 cents. Cotlook Cotton Indexes slipped on Wednesday. Therefore North Europe A Index (2007-08 Crop) slid 45 points at 67.60 cents/pound. Far Eastern A Index (2007-08 Crop) lost 40 points at 66.40 cents/pound. In Karachi, KCA official spot rate was down by Rs 50 to Rs 3100/maund.

FUTURES MARKETS:

NCDEX Kapas futures maintained bearish trend on Thursday amidst continued selling interest and weak spot market. Market went up after weak opening but tumbled thereafter. March-2008 contract lost Rs.2.10 at Rs.430.70. Most active April 2008 contract opened weak at Rs.430.50 over the last close of Rs.432.30 and slid Rs.2.70 at Rs.429.60 and traded within Rs.428.60-432.30.

PRICE DRIVERS:

1. Higher production estimates; Moderate supplies
2. Dull demand from exporters & mills; Higher acreage

WEATHER:

Heavy storms and possibly flooding through key cotton areas of west-central India are forecasted. Some crop damage can not be ruled out.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating bearish trend of the market. Prices settled below short term EMAs, suggesting short term bearish market. MACD remains in the negative zone, hinting bearish market for medium term. Stochastic and RSI are leaving scope for some technical correction. Volume decreased but 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 weak on weak global markets and weak domestic demand.

Medium Term (1 Month): Steady to up 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	427	424	429.60	434	438

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.432 with target towards Rs.428 and then Rs.425. Put stop loss strictly above Rs.435. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	16.08.07	14.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2035	2035	-
Muktsar-Punjab	J-34	Rs./Maund	2100	2100	-
Abohar- Punjab	J-34	Rs./Maund	2075	2075	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1980	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-20300	20200-20500	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	16100-17000	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20500-20800	-
Maharashtra	Y-1	Rs./Candy	18600-19000	18800-19200	-200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20600-20800	20600-20800	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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