

COTTON DAILY

30th AUGUST, 2007

SPOT MARKETS:

Cotton prices remained flat on Wednesday at most of the trading centre on improved demand against the weak supplies while the prices got stable in North Indian market following momentum in fresh crop arrival. A total of 340-370 bales of new crop were reported. 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. 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,

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.

Cotton production in Gujarat is expected to cross 10 million bales during the crop year 2007-08. Everything is normal and the weather is highly favourable for the cotton crop. But, a complete picture will be available only by mid-October. Indian cotton export would rise to about 4.6 million bales in 2007-08 crops. The cotton production is estimated at 31 Mln bales in the country during 2007-08.

On Wednesday, Shankar-6 (28mm) quoted steady at Rs.20600-20800/candy in Gujarat. In Haryana, the forward bargains for Full September quoted at Rs.1930-35/maund and Full Oct at Rs.1865-70/maund. In Punjab, it offered between Rs.1940-50/maund and Rs.1865-90/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

NYBOT cotton futures rebounded to up on Tuesday. Most active December cotton climbed 51 points at 57.48 cents/pound and moved in between 57.01-57.60. In Karachi, KCA official spot rate was flat at Rs 2925/maund. Cotlook Cotton Indexes sharply declined on Tuesday. North Europe A Index (2007-08 Crop) plunged 110 points at 65.00 cents/pound. Far Eastern A Index (2007-08 Crop) lost 120 points at 63.95 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures sharply declined after firm opening on Wednesday amidst strong selling on fresh arrivals of new crop and estimation of higher production. March-2008 contract lost Rs.4.80 at Rs.417. Most active April 2008 contract opened firm at Rs.421.50 over the last close of Rs.421.30 and slid Rs.4.20 at Rs.417.10 and traded within Rs.416.50-422.60.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India
2. Bearish international markets
3. Halted 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 hints sharply bearish market for the next trading day. Prices closed far below short term EMAs, hinting short term bearish market. MACD remains in the negative zone, suggesting bearish sentiments in medium term. Stochastic and RSI are hinting technical correction. Volume increased but open interest decreased. Kapas is likely to trade bearish after firm opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to down on expectation of higher production and sluggish global market.

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	413	410	417.10	419	422

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.418.50 with target towards Rs.413.50 and then Rs.411.50. Put stop loss strictly above Rs.422. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	29.08.07	28.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2020	2020	-
Muktsar-Punjab	J-34	Rs./Maund	2100	2100	-
Abohar- Punjab	J-34	Rs./Maund	2075	2075	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1970	1970	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20600-20800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15900-16600	15900-16600	-
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	20400-20600	20400-20600	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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