

COTTON DAILY

31st AUGUST, 2007

SPOT MARKETS:

Indian cotton prices remained steady to down on Thursday because most of the exporters and buyers remained on sidelines and abstained from making any big purchases ahead of the new crop arrival. Most traders and millers are waiting for the new crop from the main growing states of Gujarat, Maharashtra and Andhra Pradesh to arrive in the markets by the middle of September. In addition, the quality and quantity of the new crop will determine further market condition. Few arrivals have already started in Northern Indian provinces of Punjab and Haryana, but they were hardly 250-300 bales/day, nothing to impact prices. Market is also influenced on the weak arrivals from the main cotton growing areas as the farmers are busy with harvesting. 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. Cotton output is estimated at 31 Mln bales in the country in 2007-08 over 27-28 Mln bales of 2006-07.

On Thursday, Shankar-6 (28mm) quoted down at Rs.20500-20700/candy in Gujarat. In Haryana, the forward bargains for Full September quoted at Rs.1925-35/maund and Full Oct at Rs.1855-70/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 marginally declined on Wednesday. Most-active December cotton slid 6 points at 57.42 cents and traded within the range of 57.40-58.10. In Karachi, KCA official spot rate was flat at Rs 2925/maund. Cotlook Cotton Indexes slight increased on Wednesday. Therefore North Europe A Index (2007-08 Crop) gained 35 points at 65.35 cents/pound. Far Eastern A Index (2007-08 Crop) added 35 points at 64.30 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures moved up on Thursday amidst profit taking due to technically over sold market. Market recovered from day's low after slight weak opening. March-2008 contract added Rs.1.10 at Rs.417.90. Most active April 2008 contract opened down at Rs.416.80 over the last close of Rs.416.90 and gained Rs.0.60 at Rs.417.50 and traded within Rs.415.20-418.10.

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 indicate bearish market for the next trading day. Prices closed far below short term EMAs, hints short term weak market. MACD remains in the negative zone, suggesting bearish sentiments in medium term. Stochastic and RSI are hinting technical buying. Volume declined but open interest increased. Kapas is likely to trade soft 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	414	411	417.50	420	423

TRADE RECOMMENDATION (INTRADAY)

Risk lovers can Sell NCDEX-APRIL-Kapas below Rs.419 with target towards Rs.414.50 and then Rs.412.50. Put stop loss strictly above Rs.422.50. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	30.08.07	29.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	-	2020	-
Muktsar-Punjab	J-34	Rs./Maund	-	2100	-
Abohar- Punjab	J-34	Rs./Maund	-	2075	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	-	1970	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20700	20600-20800	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15900-16600	-200.00
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	20400-20600	20400-20600	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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