

COTTON DAILY

28th AUGUST, 2007

SPOT MARKETS:

Domestic cotton prices prevailed steady on Monday at most of the trading centre on improved trade and slight recovery in mills demand. 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,

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.

On Monday, Shankar-6 (28mm) quoted steady at Rs.20500-20700/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. Enquiries and some commitments for cotton exports have already started.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. The cotton prices slipped moderately on Saturday in the Karachi market as ginneries were showing some flexibility in their attitude towards rates encouraging mills and spinners to buy more. The Karachi Cotton Association (KCA) official spot rate was flat at Rs 2925/maund. Phutti (seed cotton) price in Sindh remained at Rs 1300/maund and in Punjab at Rs 1425/maund.

FUTURES MARKETS:

NCDEX Kapas futures remained down on Monday amidst selling interest and expectation of higher output. Market went slight up after weak opening but slipped thereafter. March-2008 contract lost Rs.1.40 at Rs.421.70. Most active April 2008 contract opened weak at Rs.422.10 over the last close of Rs.422.80 and slid Rs.1.80 at Rs.421 and traded within Rs.420.10-428.80.

PRICE DRIVERS:

1. Higher production estimates; Sluggish arrivals
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 bearish trend of the market. Prices closed far below short term EMAs, hinting short term bearish market. MACD remains in the negative zone, indicating weak sentiments in medium term. Stochastic and RSI are hinting oversold condition of the market. Volume as well as open interest increased. Kapas is likely to trade soft after weak 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	418	415	421	425	428

TRADE RECOMMENDATION (INTRADAY)

Risk lovers can Sell NCDEX-APRIL-Kapas below Rs.423 with target towards Rs.419 and then Rs.416. Put stop loss strictly above Rs.426. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	27.08.07	25.08.07	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	20500-20700	-
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	20300-20500	+100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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