

## COTTON DAILY

18th AUGUST, 2007

### SPOT MARKETS:

Weak sentiment was observed on Friday in the North Indian cotton markets on sluggish demand from the exporters and mills and bearish advices from the global markets. However, it was steady in the other major markets. 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 Friday, Shankar-6 (28mm) traded flat at Rs.20000-20300/candy in Gujarat. J-34 prices offered weak in the range of Rs.2015-2045/maund in Haryana. In Punjab, it quoted down between Rs.2040-2090/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 settled at a 10-week low Thursday. Most active December cotton sank 3.00 cents to close at the session low of 57.18 cents/lb. Cotlook Cotton Indexes declined Thursday. North Europe A Index (2007-08 Crop) slid 20 points at 67.40 cents/pound. Far Eastern A Index (2007-08 Crop) lost 20 points at 66.20 cents/pound. In Karachi, KCA official spot rate was flat at Rs 3100/maund.

### FUTURES MARKETS:

NCDEX Kapas futures ended with marginal changes on Friday. Market went up after mostly weak opening on profit booking but slid from the day's highs on mild selling pressure. March-2008 contract added Rs.0.10 at Rs.430.70. Most active April 2008 contract opened mostly weak at Rs.426.60 over the last close of Rs.429.70 and lost Rs.0.20 at Rs.429.50 and traded within Rs.426.20-430.90.

### PRICE DRIVERS:

1. Higher production estimates; Weak supplies; Dull global demand
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 hinting slight upward market for the next trading day. Prices closed below short term EMAs, hinting short term weak market. MACD remains in the negative zone, hinting bearish market for medium term. Stochastic and RSI are leaving scope for some technical correction. Volume increased but Open interest significantly decreased. Kapas is likely to trade slight up after weak opening with possibility of some downward 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	429.50	434	438

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.432 with target towards Rs.427 and then Rs.425. Put stop loss strictly above Rs.436. Do not carry forward the position for the next trading day.

**VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS**

Markets	Variety	Units	17.08.07	16.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2025	2035	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2090	2100	-10.00
Abohar- Punjab	J-34	Rs./Maund	2065	2075	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1960	1980	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-20300	20000-20300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	16000-16800	-
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20500-20800	-
Maharashtra	Y-1	Rs./Candy	18600-19000	18600-19000	-
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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