

COTTON DAILY

1st SEPTEMBER, 2007

SPOT MARKETS:

Cotton in North India showed a mixed sentiment on restricted volume Friday. Transactions of around 600 bales from fresh season were observed and most of the volume was traded among local parties. 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. 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 9.02 Mln Ha on May 1- August 31, increased from the 8.61 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 Friday, Shankar-6 (28mm) forward quoted down at Rs.19300-19500/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 climbed Thursday on bullish export sales report by USDA. Most-active December cotton soared 165 points at 59.07 cents/pound and hovered within 58.40-59.25 cents. Cotlook Cotton Indexes slightly declined Thursday. Therefore North Europe A Index (2007-08 Crop) lost 5 points at 65.30 cents/pound. Far Eastern A Index (2007-08 Crop) slid 5 points at 64.25 cents/pound. In Karachi, KCA official spot rate was down by Rs.125/maund at Rs 2800/maund.

FUTURES MARKETS:

NCDEX Kapas futures closed up on Friday amidst fresh buying and profit taking. Market turned down after firm opening but recovered thereafter. March-2008 contract added Rs.1.70 at Rs.419.30. Most active April 2008 contract opened firm at Rs.417.80 over the last close of Rs.417.70 and gained Rs.1.50 at Rs.419.20 and traded within Rs.416.20-419.40.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India & Gujarat
2. Bearish trend in international markets
3. Lower 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 slight strong market for the next trading day. But, prices closed far below short term EMAs, indicates short term bearish market. MACD remains in the negative zone, suggesting bearish sentiments may continue in medium term. Stochastic and RSI hints strong market. Volume and open interest increased. Kapas is likely to trade up initially after firm opening with possibility of some downward 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	416	414	419.20	423	425

TRADE RECOMMENDATION (INTRADAY)

Risk lovers can Sell NCDEX-APRIL-Kapas below Rs.421 with target towards Rs.417 and then Rs.415. Put stop loss strictly above Rs.424. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	31.08.07	30.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	-	-	-
Muktsar-Punjab	J-34	Rs./Maund	-	-	-
Abohar- Punjab	J-34	Rs./Maund	-	-	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	-	-	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20500	20500-20700	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15600-16500	15700-16500	-100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20300-20500	20300-20500	-
Maharashtra	Y-1	Rs./Candy	-	18700-19000	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20400-20600	20400-20600	-
Madhya Pradesh	Y-1	Rs./Candy	-	19000-19300	-

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