

## COTTON DAILY

24<sup>th</sup> AUGUST, 2007

### SPOT MARKETS:

Indian cotton prices remained rangebound to down on Thursday because most exporters and millers are waiting for the new crop arrivals in the markets around mid-September. 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. In addition, APTMA has placed orders to import of 10,000 bales of raw cotton from India and Dubai. Besides, China's cotton import from India has slipped by 72.9% on year to 7,615 metric tonnes.

Area under cotton is estimated at 9.9 mln ha, as of Aug. 15. In Gujarat also, the area has increased from 2.39 mln ha to 2.6 mln ha.

Old cotton crops arrivals at gins have declined, with arrivals confined to Karnataka and Tamil Nadu in the south. As of August 18, total arrivals reached to 27.935 Mln Bales, up by 16.1% year-on-year expansion. Gujarat contributed totaled at 10.1 million bales.

On Thursday, Shankar-6 (28mm) quoted flat at Rs.20400-20600/candy in Gujarat. J-34 prices offered down in the range of Rs.2020-2050/maund in Haryana. In Punjab, it offered down between Rs.2025-2100/maund in different markets on fresh arrivals of new crop. 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 cotton futures settled near unchanged on Wednesday in very quiet dealings. December cotton closed up 1 point at 58.36 cents/pound and traded within the thin range of 58.05-58.75 cents/pound. Cotlook Cotton Indexes slid. North Europe A Index (2007-08 Crop) lost 30 points at 66.05 cents/pound. Far Eastern A Index (2007-08 Crop) slid 30 points at 65.05 cents/pound. In Karachi, the KCA official spot rate remained flat at Rs 2950/maund.

### FUTURES MARKETS:

NCDEX Kapas futures settled with marginal changes on Thursday amidst fresh buying at lower level. Market dipped after weak opening but recovered thereafter and settled slight up. March-2008 contract gained Rs.0.40 at Rs.432. Most active April 2008 contract opened weak at Rs.428.50 over the last close of Rs.429.80 and added Rs.0.40 at Rs.430.20 and traded within Rs.427-431.

### PRICE DRIVERS:

1. Higher production estimates; Weak supplies
2. Crop loss worries; Fresh import demand from Pakistan
3. Less demand from exporters & mills; Higher acreage

### WEATHER:

Isolated rainfall is likely over the main cotton growing areas, which will enhanced soil moisture and expected to favourable for the crop.

### TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts hints slight upward market for the next trading day. Prices closed below short term EMAs, indicating short term weak market. MACD remains in the negative zone, hinting some recovery in medium term. Stochastic and RSI are hinting bearish market. Volume significantly declined while open interest increased. Kapas is likely to trade slight up initially after firm opening with possibility of some downward movement at the later session.

### OUTLOOK:

**Short Term (1 Week):** Steady to up on improved domestic demand and depleting stocks.

**Medium Term (1 Month):** Steady to down likely on arrivals of new crop and 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	422	430.20	433	438

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.432 with target towards Rs.427 and then Rs.424. 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	23.08.07	22.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2030	2050	-20.00
Muktsar-Punjab	J-34	Rs./Maund	2110	2120	-10.00
Abohar- Punjab	J-34	Rs./Maund	2085	2095	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1990	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20600	20400-20600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15800-16500	15800-16500	-
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	20300-20500	20300-20500	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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