

COTTON DAILY

14th AUGUST, 2007

SPOT MARKETS:

Cotton prices sharply declined in North India and Gujarat market on Monday amidst dull demand from local millers and exporters and good progress in summer cotton plantings across the country. Millers and exporters are waiting for new crop arrivals therefore they are staying away from the market. The growers are also liquidating remaining stocks at higher rate. The new cotton crop is likely to hit the market in early September in Punjab. But, the various international companies are now very much eager to buy cotton from the grower, which means that local cotton demand is growing in markets like U.S. and Europe. Indian millers have already contracted to export around 300,000 tons of cotton from the new crop.

Total area under cotton is estimated at 8.62 million hectares, as of Aug. 8 up from 8.17 million hectares a year earlier and plantings are still in progress. Over 60% of the total cotton acreage so far this year is of Bt varieties. Around 5.33 million hectares of cotton plantings are comprised of transgenic Bt variety.

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. Acreage has increased due to the continued firmness of cotton prices.

All Pakistan Textile Mills Association (APTMA) has decided to import cotton on immediate basis from India through all ports of entry.

On Monday, Shankar-6 (28mm) traded bearish at Rs.20400-20700/candy in Gujarat. J-34 prices offered down in the range of Rs.2030-2065/maund in Haryana. In Punjab, it offered bearish between Rs.2060-2100/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 remained closed on Saturday and Sunday for weekend holiday. In Pakistan, lethargic trading activity was observed on Saturday in the cotton market as most of the buyers were on the sidelines due to steep rise in the prices. The Karachi Cotton Association (KCA) official spot rate remained unchanged at Rs 3150/maund.

FUTURES MARKETS:

NCDEX Kapas futures rebounded to up on Monday amidst technical buying due to over-sold condition. Market tumbled after strong opening but recovered thereafter on profit booking. March-2008 contract gained Rs.2.50 at Rs.437.10. Most active April 2008 contract opened strong at Rs.437.20 over the last close of Rs.434.50 and added Rs.2.70 at Rs.437.20 with traded within Rs.435.10-438.80.

PRICE DRIVERS:

1. Higher production estimates; Moderate supplies
2. Dull demand from exporters & mills; Higher acreage

WEATHER:

Increasing rainfall in central and Northern India will help recharge soil moisture and replenish irrigation through major cotton areas. The present weather condition is favourable for cotton crop though flood was damaged some crop in Gujarat and Maharashtra but it was too short.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting slight upward market for the next trading day. Prices settled below short term EMAs, hinting short term bearish market. MACD remains in the negative zone, hinting bearish market for medium term. Stochastic and RSI are favoring bulls. Volume and Open interest increased. 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 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	434	432	437.20	440	444

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.439 with target towards Rs.434 and then Rs.431. Put stop loss strictly above Rs.443. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	13.08.07	11.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2045	2055	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2110	2120	-10.00
Abohar- Punjab	J-34	Rs./Maund	2080	2100	-20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1990	2000	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20700	20600-20800	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16100-17000	16300-17100	-200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20500-20800	-
Maharashtra	Y-1	Rs./Candy	18800-19200	18800-19200	-
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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