

COTTON DAILY

29th AUGUST, 2007

SPOT MARKETS:

Cotton prices remained steady to up on Tuesday in Gujarat and Western markets on improved demand against the sluggish arrivals while the prices declined in North Indian market following momentum in fresh crop arrival. A total of 340-370 bales of new crop were reported. 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. 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 Tuesday, Shankar-6 (28mm) quoted up at Rs.20600-20800/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 cotton futures sharply declined on Monday. December cotton slid 138 points to close at 56.97 cents/pound and traded in the range of 56.70-58.50 cents. In Karachi, KCA official spot rate was flat at Rs 2925/maund. Cotlook Cotton Indexes slightly increased. North Europe A Index (2007-08 Crop) gained 5 points at 66.10 cents/pound. Far Eastern A Index (2007-08 Crop) added 10 points at 65.15 cents/pound.

FUTURES MARKETS:

NCDEX Kapas futures settled slight up Tuesday on short covering due to mostly oversold condition of the market. Market went down after weak opening but recovered thereafter. March-2008 contract gained Rs.0.70 at Rs.422.20. Most active April 2008 contract opened weak at Rs.420.50 over the last close of Rs.421.10 and added Rs.0.60 at Rs.421.70 and traded within Rs.418.20-421.70.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India
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 slight bullish market for the next trading day. 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 upward market. Volume declined but open interest increased. Kapas is likely to trade soft after firm 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	421.70	425	428

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.424 with target towards Rs.419 and then Rs.416. Put stop loss strictly above Rs.428. 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	2020	2030	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2100	2110	-10.00
Abohar- Punjab	J-34	Rs./Maund	2075	2085	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1970	1980	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20500-20700	+100.00
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	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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