

## COTTON DAILY

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

### SPOT MARKETS:

Domestic cotton prices remained almost flat on Saturday at most of the trading centre on improved trade and recovery in mills demand. 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. 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 Saturday, Shankar-6 (28mm) quoted steady at Rs.20500-20700/candy in Gujarat. J-34 prices offered flat in the range of Rs.2020-2050/maund in Haryana. In Punjab, it offered steady 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 marginally down and nearer the session low amidst selling interest on Friday. December cotton futures slipped 26 points at 58.35 cents/pound and traded within the range of 57.95-58.70 cents. In Pakistan, cotton prices tumbled in the Karachi cotton market on Friday amidst prospects of good crop after fresh rains and improved picking operation. The Karachi Cotton Association (KCA) official spot rate has declined by Rs.75/maund at Rs.2925/maund.

### FUTURES MARKETS:

NCDEX Kapas futures continued to trade bearish on Saturday amidst selling interest and profit booking. Market plunged after weak opening and closed nearer the session low. March-2008 contract lost Rs.3.10 at Rs.423.30. Most active April 2008 contract opened weak at Rs.424.80 over the last close of Rs.425.40 and slid Rs.2.50 at Rs.422.90 and traded within Rs.422-425.40.

### PRICE DRIVERS:

1. Higher production estimates; Weak supplies
2. Fresh import demand from Pakistan
3. Improving 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 indicate bearish market for the next trading day. Prices closed far below short term EMAs, hinting short term weak market. MACD remains in the negative zone, indicating weak sentiments in medium term. Stochastic and RSI are hinting technical correction. Volume as well as open interest significantly declined. Kapas is likely to trade bearish after weak opening with possibility of some upward movement at the later session.

### OUTLOOK:

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

**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	419	416	422.90	425	428

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.424 with target towards Rs.420 and then Rs.418. Put stop loss strictly above Rs.427. Do not carry forward the position for the next trading day.

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

Markets	Variety	Units	25.08.07	24.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2030	2030	-
Muktsar-Punjab	J-34	Rs./Maund	2110	2110	-
Abohar- Punjab	J-34	Rs./Maund	2085	2085	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1980	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20500-20700	20500-20700	-
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	20300-20500	20300-20500	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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