

COTTON DAILY

5th SEPTEMBER, 2007

SPOT MARKETS:

Cotton prices exhibited steady sentiment in Western markets on Tuesday amidst thin trading activity while it turned up in North Indian markets on picking up demand against the fresh arrivals. Meanwhile, Maharashtra Cotton federation [Mahafed] has reduced prices of cotton by Rs. 400/candy. The exporters and big buyers are coming and making deals of new cotton but few are waiting for the full-fledged of new crop arrivals. 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. The volatility in international cotton prices and its uncertain future is also keeping pressure in the Indian cotton market.

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. 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 Tuesday, Shankar-6 (28mm) forward quoted stable at Rs.19300-19500/candy in Gujarat due to holiday for Janmastami. In Haryana, the forward bargains for Full September quoted up at Rs.1940-50/maund and Full Oct at Rs.1865-77/maund. In Punjab, it offered up between Rs.1950-67/maund and Rs.1875-95/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

NYBOT and Cotlook remained closed on Monday for Labour Day. Cotton trading activity was modest in the Karachi market on Monday amidst continued buying from the mills despite the expectations of better crop after the monsoon rains. KCA official spot rate was unchanged at Rs 2850/maund. Phutti (Seed cotton) traded at Rs 1225-1300/maund in Sindh and in Punjab it offered at Rs 1325-1350/maund. Traders reported that the mills were taking fresh interest in the new buying to meet the export commitments and also local requirements, as well.

FUTURES MARKETS:

NCDEX Kapas futures slipped on Monday in thin trading activity amidst light selling pressure. Market turned down after weak opening but recovered at the late hour on fresh buying. March-2008 contract slipped Rs.2 at Rs.428.20. Most active April 2008 contract opened weak at Rs.428.50 over the last close of Rs.429.30 and lost Rs.1.30 at Rs.428 and traded within Rs.426.20-429.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India & Gujarat
2. Improving international cotton markets
3. Mahafed reduced cotton spot rates; Higher acreage

WEATHER:

Rain/thundershowers are being forecasted across most of Gujarat State and Maharashtra with Rajasthan. Scattered rain or thundershowers are also likely over Haryana and Punjab.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks chart shows slight strong market for the next trading day. Prices closed above short term EMAs, exhibits short term upward market. MACD prevails in the negative zone and moving upwards. Stochastic hints strong market but RSI hints weak. Volume significantly declined but open interest increased. Kapas is likely to trade slight weak after firm opening with possibility of upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to up on expectation of upcoming demand and improving international 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	426	423	428	433	437

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.427 with target towards Rs.432 and then Rs.435. Put stop loss strictly below Rs.423. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	04.09.07	03.09.07	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	20400-20500	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15600-16500	15600-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	20300-20500	20300-20500	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20400-20600	20400-20600	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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