

COTTON DAILY

20th SEPTEMBER, 2007

SPOT MARKETS:

Cotton traded strong on Wednesday in the North Indian markets despite strong arrivals of fresh crops due to improved demand from the mills while the prices was steady in Western markets. Around 8000-9000 bales of cotton were arrived at the gins in Punjab, Rajasthan and Haryana. In addition, about 4000-4500 bales of cotton have arrived in other major markets. In addition, Maharashtra State cabinet approved the proposal to buy cotton from farmers at M.S.P of Rs 2070/quintal and they will buy cotton from 2nd October and it is estimated that they will purchase about Rs 50 lakh quintals. Besides, cotton lint production during 2007-08 is expected to fall to 104,000 Mt due to dry weather in key growing areas of Australia. Uzbekistan is likely to reduce cotton fibre exports in 2007-08 to 7-7.5 lakh Mt over 8.8 lakh Mt in 2006-07.

Cotton acreage is estimated at 9.06 Mln Ha as on May 1- Sept 14, up from 8.68 Mln Ha on the same date last year. Indian cotton export is estimated to up at 5.5 million bales in 2007-08 over 4.7 mln bales in 2006-07. Cotton production in Gujarat is unlikely to exceed 90 lakh bales over 93 lakh bales in 2006-07. However, Releasing the first advance crop estimate data for kharif 2007-08, the government estimate of cotton stood at 22.94 million bales in 2007-08 crop year (June-May) compared to 22.70 million bales last year.

On Wednesday, Shankar-6 (28mm) forward quoted steady at Rs.19700-800/candy in Gujarat. In Haryana, the forward bargains for Full September quoted up at Rs.1960-70/maund and Full Oct at Rs.1875-90/maund. In Punjab, it traded up at Rs.1975-95/maund and Rs.1875-1950/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

ICE cotton futures rebounded to up after a weak start on Tuesday. Most-active December cotton gained 42 points at 64.85 cents/pound. Cotlook Cotton Indexes rose. North Europe A Index (2007-08 Crop) gained 60 points at 70.00 cents/pound while North Europe B Index (2007-08 Crop) rose 65 points at 68.15 cents/pound. Far Eastern A Index (2007-08 Crop) up by 60 points at 68.50 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2800/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded strong on Wednesday amidst fresh buying on strong spot and international market. Market hovered up after weak opening but set back from session's highs on short covering. March-2008 contract gained Rs.4.80 at Rs.424.40. Most active April 2008 contract opened down at Rs.420 over the last close of Rs.420.80 and added Rs.4.70 at Rs.425.50 and traded within Rs.420-427.10.

PRICE DRIVERS:

1. Higher production estimates; Strong international cotton markets
2. New cotton arrivals picking up
3. Moderate demand from exporters; Higher acreage

WEATHER:

North India cotton areas have seen only isolated thunderstorms recently. This will help improve the condition of this crop after earlier heavy storms.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts shows strong market for the next trading day. Prices closed just above short term EMAs, hints steady to bullish market as short term. MACD prevails in the negative zone & moving up. Stochastic and RSI supports the bulls. But, volume as well as open interest declined. Kapas is likely to trade up after weak opening with possibility of some downward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to down on weak domestic demand and expectation of higher output.

Medium Term (1 Month): Up likely on good domestic demand from the exporters and millers.

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	423	420	425.50	429	432

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.424 with target towards Rs.428.50 and then Rs.430. Put stop loss strictly below Rs.421. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	19.09.07	18.09.07	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	20900-21100	20900-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16500	16000-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	20900-21100	20900-21100	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20700-20900	20700-20900	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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