

COTTON DAILY

3rd SEPTEMBER, 2007

SPOT MARKETS:

Cotton in North India firmed up on Saturday on picking up demand while it was steady in Western India. Transactions of around 600 bales from fresh season were observed and most of the volume was traded among local parties. But, most of the exporters and buyers remained on sidelines and abstained from making any big purchases ahead of the new crop arrival. 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 Saturday, Shankar-6 (28mm) forward quoted stable at Rs.19300-19500/candy in Gujarat. In Haryana, the forward bargains for Full September quoted up at Rs.1935-45/maund and Full Oct at Rs.1860-70/maund. In Punjab, it offered between Rs.1945-60/maund and Rs.1870-90/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

NYBOT cotton futures climbed up on Friday following a gap open on speculative fund buying. December cotton climbed 190 points at 60.97 cents/pound and hovered within the range of 61.80-60.35. Cotlook Cotton Indexes sharply increased. North Europe A Index (2007-08 Crop) climbed 105 points at 66.35 cents/pound. Far Eastern A Index (2007-08 Crop) soared 120 points at 65.45 cents/pound. In Karachi, KCA official spot rate was unchanged at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures soared on Saturday amidst profit booking coupled with buying support. Market hovered up after firm opening and settled nearer the session high. March-2008 contract climbed Rs.5.10 at Rs.424.50. Most active April 2008 contract opened firm at Rs.421.30 over the last close of Rs.419.40 and gained Rs.5.80 at Rs.424.90 and traded within Rs.421.30-425.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India & Gujarat
2. Improving international cotton markets
3. Lower demand from exporters & mills; Higher acreage

WEATHER:

Madhya Pradesh and Maharashtra's Khandesh and Marathwada areas have received very beneficial rain this week, with additional showers forecast into the weekend. Widespread showers are also being reported across most of Gujarat State. This region is likely to receive additional precipitation over the next few days.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts hints strong market for the next trading day. Prices closed in between short term EMAs, indicates short term steady to bearish market. MACD remains in the negative zone, suggesting bearish sentiments in medium term. Stochastic and RSI hints upward market. Volume and open interest increased. Kapas is likely to trade up initially after firm opening with possibility of some downward 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	421	418	424.90	428	433

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.422 with target towards Rs.427 and then Rs.430. Put stop loss strictly below Rs.418. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	01.09.07	31.08.07	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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