

COTTON DAILY

25th SEPTEMBER, 2007

SPOT MARKETS:

Cotton lint prices rallied in Northern Indian cotton market on Monday despite picking up of fresh arrivals while the prices remained almost steady in other major markets. The mill's demand in North has propelled up the market prices, traders quoted. However, demand from the large buyers are observing weak as they are still waiting for the new arrivals to start in full strength in Maharashtra and Gujarat, before they make any firm buying commitments. Besides, around 3000-4000 bales of cotton have been contracted for delivery in December-January, it is too few relative to the bumper production expected. Around 12500-13500 bales of cotton arrived at the gins in the country. By the by, Maharashtra State cabinet will buy cotton from farmers at M.S.P of Rs 2070/quintal from 2nd October and it is estimated that they will purchase about Rs 50 lakh quintals.

Acreage is estimated at 9.06 Mln Ha as on May 1- Sept 14 over 8.68 Mln Ha of last year. Cotton export is estimated to up at 6.5 mln bales in 2007-08 over 5.5 mln bales in 2006-07. Cotton production in Gujarat is unlikely to exceed 9 mln bales over 9.3 mln bales in 2006-07. Punjab is likely to achieve 2.69 mln bales of cotton this fiscal year. Government has pegged cotton production at 22.94 mln bales in 2007-08 over 22.7 mln bales of last year in their first advance estimate, it is much below than industry estimates of 31 mln bales.

On Monday, Shankar-6 forward quoted stable at Rs.19800-20000/candy in Gujarat and Rs19500-800/candy in M.P. & Maharashtra. In Haryana, the forward bargains for Full September offered up at Rs.1975-85/maund and Full Oct at Rs.1895-2005/maund. In Punjab, it traded up at Rs.1995-2010/maund & Rs.1940-1965/maund. Cotton prices are expected to remain steady to up in the near future as short term on late harvesting in major cotton belts.

INTERNATIONAL MARKET:

ICE remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the cotton prices went up on Saturday on fresh rains in Punjab, which triggered spinner's demand. The KCA official spot rate has rose by Rs 50/maund at Rs 2850/maund. In the ready business the deals were stuck between Rs 2875-2950/maund.

FUTURES MARKETS:

NCDEX Kapas futures tumbled down on Monday's trading amidst profit taking and fresh selling pressure. Therefore market has plummeted after firm opening but recovered slightly from session's low on mild buying. March-2008 contract lost Rs.1.90 at Rs.423.20. Most active April 2008 contract opened up at Rs.428 over the last close of Rs.427.50 and slid Rs.2.50 at Rs.425 and traded within Rs.422.70-428.20.

PRICE DRIVERS:

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

WEATHER:

Withdrawing of monsoon over some parts of main cotton growing areas of Maharashtra and Gujarat could delay harvest or cause some damage to standing crops.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlestick patterns hints weak 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 hints weak market. Volume increased while open interest significantly declined. 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 on worries of late harvesting in Maharashtra and Gujarat.

Medium Term (1 Month): Down likely on expectation of higher output and strong arrivals.

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	425	428	431

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.427 with target towards Rs.422 and then Rs.420. Put stop loss strictly above Rs.431. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	24.09.07	22.09.07	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	20800-21100	20800-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	-	-	-
Maharashtra	Mech-I-29mm	Rs./Candy	-	-	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	-	-	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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