

COTTON DAILY

18th SEPTEMBER, 2007

SPOT MARKETS:

Cotton prices sank on Monday in the North Indian market on mostly strong arrivals of fresh crop despite hectic buying while it was steady to slight down in the other major markets on balanced demand supply. Around 8000-8500 bales of cotton were arrived at the gins in Punjab, Rajasthan and Haryana. Prices will find direction once full fledged arrivals start from India's main cotton growing state of Gujarat and Maharashtra. In addition, about 4000-4500 bales of cotton have arrived in other major markets. However, most of the exporters and big buyers remained inactive and waiting for the strong arrivals of new crop from the main growing states of Gujarat, Maharashtra and A.P. 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.

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. Bt cotton sowing reached more than 5.33 Mln Ha.

Indian cotton export is estimated to up at 5.5 million bales in 2007-08 crops. Cotton output is projected at 31 Mln bales in the country in 2007-08 over 27-28 Mln bales of 2006-07.

On Monday, Shankar-6 (28mm) forward quoted down at Rs.19700-800/candy in Gujarat. In Haryana, the forward bargains for Full September quoted down at Rs.1945-55/maund and Full Oct at Rs.1865-80/maund. In Punjab, it got down to Rs.1965-85/maund and Rs.1865-1930/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

ICE futures market remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the cotton prices remained weak in Karachi market on Saturday due to estimation of better crop of cotton for 2007-08 by the USDA and increase in Phutti arrivals. KCA official spot rate was flat at Rs 2800/maund following a sharp increase of Rs.25/maund on Friday. In the ready business the deals were stuck between Rs 2825-2900/maund. Phutti (seed cotton) prices remained at Rs 1325-1350/maund in Sindh and Punjab.

FUTURES MARKETS:

NCDEX Kapas futures traded strong on Monday amidst moderate buying support coupled with short covering. Market increased after firm opening and settled near the session high. March-2008 contract gained Rs.3.70 at Rs.420. Most active April 2008 contract opened up at Rs.416.50 over the last close of Rs.416.40 and added Rs.4 at Rs.420.40 and hovered within Rs.416.30-420.90.

PRICE DRIVERS:

1. Higher production estimates; Volatile international cotton markets
2. Improvement of fresh arrivals in North India
3. Weak demand from exporters; Higher acreage

WEATHER:

Areas of the North India cotton belts 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 patterns shows strong market for the next trading day. Prices closed in between short term EMAs, hints steady to bearish market as short term. MACD prevails in the negative zone. Stochastic and RSI supports the bulls. Volume as well as open interest significantly declined. Kapas is likely to trade slight up after firm 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	417	412	420.40	423	426

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.422.50 with target towards Rs.417.50 and then Rs.415. Put stop loss strictly above Rs.426. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	17.09.07	14.09.07	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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