

COTTON DAILY

22nd SEPTEMBER, 2007

SPOT MARKETS:

Cotton traded up on Friday in the North Indian markets amidst fresh mills buying despite picking up of new crop arrivals while the prices was almost steady in other markets on lower arrivals. 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 12000-13000 bales of cotton arrived at the gins in the country. By the by, Maharashtra State cabinet has been already 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.

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 5.5 mln bales in 2007-08 over 4.7 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 its production target of 2.69 mln bales 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 Friday, Shankar-6 forward quoted steady at Rs.19600-800/candy in Gujarat and Rs19200-400/candy in M.P. & Maharashtra. In Haryana, the forward bargains for Full September quoted up at Rs.1960-75/maund and Full Oct at Rs.1885-95/maund. In Punjab, it traded up at Rs.1980-95/maund and Rs.1920-1950/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

ICE cotton futures climbed Thursday on speculative buying as U.S. dollar rallied weak. Most-active December cotton climbed 95 points at 64.87 cents/pound. Cotlook Cotton Indexes slid. North Europe A Index (2007-08 Crop) lost 45 points at 69.90 cents/pound while North Europe B Index (2007-08 Crop) slid 60 points at 67.90 cents/pound. Far Eastern A Index (2007-08 Crop) was down by 45 points at 68.40 cents/pound. In Karachi, KCA spot rate was flat at Rs 2800/maund.

FUTURES MARKETS:

NCDEX Kapas futures moved up on Friday amidst fresh buying demand on strong international market. Therefore market went up after mostly firm opening but set back from session's high. March-2008 contract gained Rs.4.90 at Rs.424. Most active April 2008 contract opened mostly up at Rs.423 over the last close of Rs.420.90 and climbed Rs.5.90 at Rs.426.80 and hovered within Rs.423-427.80.

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 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 hints strong market. Volume as well as open interest increased. 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	424	421	426.80	430	433

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.429 with target towards Rs.425 and then Rs.422. Put stop loss strictly above Rs.432. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.09.07	20.09.07	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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