

## COTTON DAILY

26<sup>th</sup> SEPTEMBER, 2007

### SPOT MARKETS:

The bullish trends of cotton prices were restricted in the North Indian market on Tuesday amidst strong arrivals while it was almost stable in other major markets on stable demand supply. The mill's demand in North India remained strong against higher arrivals of 12000 bales of cotton. 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. Around 16000 bales of cotton arrived at the gins in the country. A total of 10,000 bales of 2006-07 old crop cotton have been delivered during week ending September 15, 2007 in Southern India. Total 2060/07 crop deliveries have reached 27,990,000 bales.

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 Tuesday, Shankar-6 forward quoted stable at Rs.19800-20000/candy in Gujarat and Rs19600-800/candy in M.P. & Maharashtra. In Haryana, the forward bargains for Full September offered steady at Rs.1985-95/maund and Full Oct at Rs.1890-1910/maund. In Punjab, it traded stable at Rs.1995-2000/maund & Rs.1935-1965/maund. Cotton prices are likely to remain steady to up in the near future as short term on late harvesting in major cotton belts.

### INTERNATIONAL MARKET:

ICE cotton futures settled in the positive region on Monday. Most active December cotton added 15 points at 66.23 cents/pound and traded in the range of 65.15-66.70 cents. Cotlook Cotton Indexes soared. North Europe A Index (2007-08 Crop) gained 105 points at 71.70 cents/pound & North Europe B Index (2007-08 Crop) climbed 110 points at 69.75 cents/pound. Far Eastern A Index (2007-08 Crop) was up by 105 points at 70.20 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2850/maund.

### FUTURES MARKETS:

NCDEX Kapas futures closed down on Tuesday amidst selling interest and expectation of higher production. Market tumbled after very weak opening and closed slight up from session's high. March-2008 contract lost Rs.3 at Rs.420.20. Most active April 2008 contract opened down at Rs.424 over the last close of Rs.425 and slid Rs.2.50 at Rs.422.50 and traded within Rs.421.20-424.

### 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 charts exhibits downward turn of the market for the next trading day. Prices closed just below short term EMAs, hints bearish market as short term. MACD enters in the positive zone & moving up. Stochastic and RSI hints weak market. Volume increased while open interest significantly declined. Kapas is likely to trade down after weak 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	418	415	422.50	425	428

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.424 with target towards Rs.419 and then Rs.417. Put stop loss strictly above Rs.428. Do not carry forward the position for the next trading day.

**VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS**

Markets	Variety	Units	25.09.07	24.09.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2000	-	-
Muktsar-Punjab	J-34	Rs./Maund	2020	-	-
Abohar- Punjab	J-34	Rs./Maund	2010	-	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1945	-	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20800-21100	20800-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15500-16200	-	-
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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