

COTTON DAILY

29th SEPTEMBER, 2007

SPOT MARKETS:

Domestic cotton prices remained weak on Friday in North India but it was steady in Western Markets. Currently, cotton arrivals are getting momentum in the North India. Daily 15000-17000 bales of fresh cotton are arriving in the country. However, concerns over rains damaging and delaying harvest in some parts of the country are providing underline support to the cotton market. In addition, a Hindu religious period of mourning is scheduled to start from Thursday, when most of the traders will abstain from commercial transactions. Therefore the supplies and demand are anticipated to remain weak during this period. Demand and market arrivals are likely to pick up from Oct. 10 onwards. Market arrivals are likely to cross at least 45,000 bales after Oct. 10, according to market participants.

Area under cotton rose to 9.09 million hectares, including 5.33 million hectares under BT cotton, compared with a total of 8.75 million hectares last year. Cotton export is estimated to up at 6.5 mln bales in 2007-08 over 5.5 mln bales in 2006-07. 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 for Oct. delivery quoted steady at Rs.20400-20600/candy in Gujarat and Rs.19300-500/candy in M.P. & Maharashtra for Nov-Dec delivery. In Haryana, the forward bargains for Full September registered weak at Rs.1940-55/maund and Full Oct at Rs.1880-1890/maund. In Punjab, it offered down at Rs.1950-80/maund & Rs.1905-40/maund. Cotton prices are likely to remain up in the near future as long term on expectation of higher export demand due to lower global production.

INTERNATIONAL MARKET:

ICE cotton futures soared to new 10-week high on Thursday. Most active December cotton climbed 72 points at 66.67 cents/pound and traded in the range of 65.75-67.40 cents. Cotlook Cotton Indexes was flat. North Europe A Index (2007-08 Crop) was at 71.75 cents/pound while North Europe B Index (2007-08 Crop) at 69.85 cents/pound. Far Eastern A Index (2007-08 Crop) at 70.25 cents/pound. In Karachi, KCA official spot rate was flat at Rs.2875/maund.

FUTURES MARKETS:

NCDEX Kapas futures continued to down on fresh selling interest on Friday amidst weak demand in spot market. Market tumbled after strong opening and settled near the session's low. March-2008 contract lost Rs.2.50 at Rs.418.40. Most active April 2008 contract opened mostly up at Rs.424.40 over the last close of Rs.422.80 and slid Rs.2.20 at Rs.420.60 and traded within Rs.420.50-425.

PRICE DRIVERS:

1. Higher production estimates; Weak dollar against rupee
2. Higher arrivals of cotton; Hindu religious period of mourning
3. Weak demand from exporters; Weather concerns

WEATHER:

Isolated heavy to very heavy rainfall is likely over North Konkan, Saurashtra and south Gujarat region. Rain/thundershowers are likely at a few places over north Coastal Andhra Pradesh &, Karnataka.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlestick patterns exhibits downward market for the next trading day. Prices closed just below short term EMAs, hints steady-bearish market as short term. MACD moving up in the positive zone. Stochastic and RSI hints bearish market. Volume declined while open interest significantly increased. Kapas is expected to trade weak after firm opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to weak on less demand for Hindu religious period of mourning.

Medium Term (1 Month): Steady to up likely on expectation of higher demand despite higher 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	420.60	423	427

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.422 with target towards Rs.418 and then Rs.416. Put stop loss strictly above Rs.425. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	28.09.07	27.09.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1950	1960	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1970	1980	-10.00
Abohar- Punjab	J-34	Rs./Maund	1950	1060	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1900	1910	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20800-21100	20800-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15500-16200	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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