

## COTTON DAILY

21<sup>st</sup> SEPTEMBER, 2007

### SPOT MARKETS:

Cotton traded steady to slight down on Thursday amidst picking up of new crop arrivals. However, demand from the 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 12000-12500 bales of cotton arrived at the gins in the country. 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.

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. Indian cotton export is estimated to up at 5.5 million 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 million bales of cotton this fiscal year. Indian government on Wednesday issued its first estimate of summer-grown crops, pegging cotton 2007-08 production at 22.94 mln bales over 22.7 mln bales of last year. The government's estimation is much below than industry estimates of 31 mln bales.

On Thursday, Shankar-6 forward quoted down at Rs.19600-800/candy in Gujarat and Rs19200-400/candy in M.P. & Maharashtra. In Haryana, the forward bargains for Full September quoted down at Rs.1950-65/maund and Full Oct at Rs.1875-85/maund. In Punjab, it traded slight down at Rs.1970-90/maund and Rs.1915-1950/maund. Cotton prices are likely to remain steady to up in the near future.

### INTERNATIONAL MARKET:

ICE cotton futures backpedaled Wednesday on bearish options activity and light spec selling. Most-active December cotton slipped 93 points at 63.92 cents/pound. Cotlook Cotton Indexes rose. North Europe A Index (2007-08 Crop) gained 35 points at 70.35 cents/pound & North Europe B Index (2007-08 Crop) rose 35 points at 68.50 cents/pound. Far Eastern A Index (2007-08 Crop) added 35 points at 68.85 cents/pound. In Karachi, KCA spot rate was flat at Rs 2800/maund.

### FUTURES MARKETS:

NCDEX Kapas futures rebounded to down Thursday on fresh selling pressure and estimation of higher production. Therefore market went up after mostly weak opening but slipped thereafter and settled down. March-2008 contract lost Rs.5.20 at Rs.419. Most active April 2008 contract opened down at Rs.423.20 over the last close of Rs.425.70 and slid Rs.4.80 at Rs.420.90 and traded within Rs.420.20-425.

### 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 exhibits weak market for the next trading day. Prices closed just below short term EMAs, hints steady to bearish market as short term. MACD prevails in the negative zone & moving up. Stochastic and RSI hints weak market. Volume declined while open interest increased. Kapas is likely to trade soft after weak opening with possibility of some upward 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	414	420.90	423	427

### TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.422 with target towards Rs.417.50 and then Rs.415. Put stop loss strictly above Rs.425.50. Do not carry forward the position for the next trading day.

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

Markets	Variety	Units	20.09.07	19.09.07	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	20900-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	-	16000-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	-	20900-21100	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	-	20700-20900	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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