

COTTON DAILY

4th SEPTEMBER, 2007

SPOT MARKETS:

Domestic cotton prices witnessed steady quotes on Monday in most of the markets on picking up demand against the fresh arrivals in North Indian cotton market. Meanwhile, Maharashtra Cotton federation [Mahafed] has reduced prices of cotton by Rs. 400/candy. But, most of the exporters and big buyers remained on sidelines and abstained from making any big purchases ahead of the new crop arrival. Most traders and millers are waiting for the new crop from the main growing states of Gujarat, Maharashtra and Andhra Pradesh to arrive in the markets by the middle of September. In addition, the quality and quantity of the new crop will determine further market condition. The volatility in international cotton prices and its uncertain future is also keeping pressure in the Indian cotton market.

Area under cotton is estimated at 9.02 Mln Ha on May 1- August 31, increased from the 8.61 Mln Ha on the same date last year. Out of the total area, Bt cotton sowing reached more than 5.33 Mln Ha.

Cotton production in Gujarat is expected to cross 10 million bales during the crop year 2007-08. Indian cotton export would rise to about 4.6 million bales in 2007-08 crops. Cotton output is estimated 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 stable at Rs.19300-19500/candy in Gujarat. In Haryana, the forward bargains for Full September quoted steady at Rs.1935-45/maund and Full Oct at Rs.1860-70/maund. In Punjab, it offered between Rs.1945-60/maund and Rs.1870-90/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. In Karachi, KCA official spot rate was unchanged at Rs 2900/maund. In Pakistan, cotton prices showed a steady trend on Saturday in the Karachi market because the prices showed upward trend following the rising demand by the mills. KCA official spot rate was unchanged at Rs 2900/maund. Cotton was traded at Rs 2775-2850/maund in Sindh and in Punjab it was at Rs 2950-3000/maund.

FUTURES MARKETS:

NCDEX Kapas futures climbed further on Monday amidst fresh buying in expectation of good international demand for Indian cotton. Market hovered up after mostly weak opening and settled nearer the session high. March-2008 contract climbed Rs.5.30 at Rs.430.10. Most active April 2008 contract opened weak at Rs.423 over the last close of Rs.424.70 and gained Rs.4.50 at Rs.429.20 and traded within Rs.422-429.70.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India & Gujarat
2. Improving international cotton markets
3. Mahafed reduced cotton spot rates; Higher acreage

WEATHER:

Rain/thundershowers are being forecasted across most of Gujarat State and Maharashtra with Rajasthan. Scattered rain or thundershowers are also likely over Haryana and Punjab.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks chart exhibits firm market for the next trading day. Prices closed above short term EMAs, hints short term slight bullish market. MACD prevails in the negative zone and moving upwards. Stochastic and RSI hints strong market. Volume and open interest increased. Kapas is likely to trade firm after weak opening with possibility of some downward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to up on expectation of upcoming demand and improving international market.

Medium Term (1 Month): Slight down likely on arrivals of new crop and higher production estimation.

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	426	423	429.20	433	437

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.428 with target towards Rs.433 and then Rs.436. Put stop loss strictly below Rs.424. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	03.09.07	01.09.07	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	20400-20500	20400-20500	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15600-16500	15600-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	20300-20500	20300-20500	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20400-20600	20400-20600	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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