

COTTON DAILY

14th SEPTEMBER, 2007

SPOT MARKETS:

Cotton prices showed steady with rangebound sentiment Thursday on reports of a delay in new crop arrivals in main cotton growing states of Gujarat and Maharashtra. However, the arrivals from northern India are increasing. Around 4000-6000 bales of cotton are arriving daily in Punjab and Haryana. Prices will find direction once full fledged arrivals start from India's main cotton growing state of Gujarat and Maharashtra. In addition, about 400 bales have arrived in Gujarat and around 200 bales in Maharashtra. In South India, it was at 500 bales/day in A.P. But most of the exporters and big buyers remained inactive and waiting for the strong arrivals of new crop from the main growing states of Gujarat, Maharashtra and A.P. Maharashtra State cabinet 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 9.05 Mln Ha as on May 1- Sept 7, up from 8.64 Mln Ha on the same date last year. Bt cotton sowing reached more than 5.33 Mln Ha. Area has risen by 7% in Punjab and by 25% in Rajasthan and 5-8% in Gujarat, Maharashtra and M.P..

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 Thursday, Shankar-6 (28mm) forward quoted steady at Rs.19700-800/candy in Gujarat. In Haryana, the forward bargains for Full September quoted steady at Rs.1970-85/maund and Full Oct at Rs.1915-25/maund. In Punjab, it registered slight up between Rs.1985-2005/maund and Rs.1940-55/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

ICE cotton futures finished at a five-week high on Wednesday owing to fund buying. Most active December cotton climbed 93 points at 62.57 cents/pound and traded in the range of 61.20-62.80 cents. Cotlook Cotton Indexes rose on Wednesday. Therefore North Europe A Index (2007-08 Crop) gained by 45 points at 68.10 cents/pound. Far Eastern A Index (2007-08 Crop) was up by 40 points at 67.10 cents/pound. In Karachi, KCA official spot rate remained flat at Rs 2775/maund.

FUTURES MARKETS:

NCDEX Kapas futures backpedaled on Thursday amidst profit taking and weak fundamentals. Market plunged after mostly strong opening but set back from session's lows. March-2008 contract lost Rs.2.90 at Rs.416. Most active April 2008 contract opened strong at Rs.421 over the last close of Rs.419.20 and slid Rs.2.90 at Rs.416.30 and traded within Rs.414.10-421.

PRICE DRIVERS:

1. Higher production estimates; Volatile international cotton markets
2. Improvement of fresh arrivals in North India
3. Weak demand from exporters; Higher acreage

WEATHER:

Areas of the North India cotton belts have seen only isolated thunderstorms recently. This will help improve the condition of this crop after earlier heavy storms.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks patterns shows weak market for the next trading day. Prices closed below short term EMAs, support bears for short term. MACD prevails in the negative zone. Stochastic hinting improvement in prices while RSI supports the bears. Volume significantly increased while open interest declined. Kapas is likely to trade soft after firm 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	414	410	416.30	420	424

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.419.50 with target towards Rs.414.50 and then Rs.411. Put stop loss strictly above Rs.423. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	13.09.07	12.09.07	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	20800-21000	20700-20900	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15800-16500	15700-16500	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20800-20900	20800-20900	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20600-20800	20600-20800	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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