

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices showed strong sentiment on Friday in the domestic cotton market on trickle arrivals of old cotton and some millers demand as fresh cotton has been arriving in North India. Traders said around 1200-1300 bales of cotton is arriving daily in Northern provinces of Punjab, Haryana and Rajasthan. But exporters and big buyers remained inactive and 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. A few arrivals of old cotton crop have moved to gins during the week ending August 24, 2007. Total arrivals now reached at 29,945,000 bales.

Area under cotton is estimated at 9.05 Mln Ha on May 1- September 7, increased from the 8.64 Mln Ha on the same date last year. Out of the total area, 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 Madhya Pradesh.

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 Friday, Shankar-6 (28mm) forward quoted steady at Rs.19500/candy in Gujarat. In Haryana, the forward bargains for Full September quoted up at Rs.1970-80/maund and Full Oct at Rs.1910-20/maund. In Punjab, it offered up between Rs.1980-2005/maund and Rs.1925-55/maund. Cotton prices are likely to remain steady to up in the near future.

### INTERNATIONAL MARKET:

ICE cotton futures settled with a modest loss amidst bearish options activity and local selling on Thursday. Most active December cotton slipped 16 points at 60.42 cents/pound and traded in the range of 59.99-61.25 cents. Cotlook Cotton Indexes declined. North Europe A Index (2007-08 Crop) lost 75 points at 67.20 cents/pound. Far Eastern A Index (2007-08 Crop) was down 90 points 66.25 cents/pound. In Karachi, KCA official spot rate remained flat at Rs 2775/maund.

### FUTURES MARKETS:

NCDEX Kapas futures settled with modest losses on Friday on late selling pressure. Market moved up after weak opening but slid thereafter on selling interest. March-2008 contract slipped Rs.1.20 at Rs.422.10. Most active April 2008 contract opened weak at Rs.420.90 over the last close of Rs.422.20 and lost Rs.1 at Rs.421.20 and traded within Rs.420-423.80.

### 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:

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 chart shows indecisive market for the next trading day. Prices closed below short term EMAs, indicates short term weak market. MACD prevails in the negative zone and moving upwards. Stochastic and RSI shows weak market. Volume declined but open interest remained steady. 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):** Slight up likely on good domestic demand despite arrivals of new crop.

**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	421.20	424	428

### TRADE RECOMMENDATION (INTRADAY)

**Risk lovers can Sell** NCDEX-APRIL-Kapas below Rs.423 with target towards Rs.419 and then Rs.416. Put stop loss strictly above Rs.426. Do not carry forward the position for the next trading day.

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

Markets	Variety	Units	07.09.07	06.09.07	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	20600-20800	20600-20800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15700-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	20700-20900	20500-20700	+200.00
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20600-20800	20500-20700	+100.00
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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