

## COTTON DAILY

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

### SPOT MARKETS:

Cotton prices remained rangebound with steady on Thursday in the domestic spot market on some fresh buying by the mills despite fresh arrivals in North India. Exporters and big buyers remained inactive and waiting for the full-fledged of new crop arrivals. 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. Area has risen by 7% in Punjab and by 25% in Rajasthan and 5-8% in Gujarat, Maharashtra and Madhya Pradesh.

Maharashtra is anticipating a cotton output of 388-lakh quintals up from 325 lakh quintals in the last year. 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.19500/candy in Gujarat. In Haryana, the forward bargains for Full September quoted stable at Rs.1965-70/maund and Full Oct at Rs.1905-10/maund. In Punjab, it offered flat between Rs.1970-2000/maund and Rs.1920-50/maund. Cotton prices are likely to remain steady to up in the near future.

### INTERNATIONAL MARKET:

ICE cotton futures backpedaled on Wednesday amidst bearish options trades coupled with speculative and technical selling. Most-active December cotton slipped 99 points at 60.58 cents/pound and traded in the range of 60.52-61.75 cents. Cotlook Cotton Indexes slight increased. North Europe A Index (2007-08 Crop) gained 10 points at 67.95 cents/pound. Far Eastern A Index (2007-08 Crop) was up 15 points 67.15 cents/pound. In Karachi, KCA official spot rate continued to slide and fell Rs 25/maund further to Rs 2775/maund.

### FUTURES MARKETS:

NCDEX Kapas futures backpedaled on Thursday amidst fresh selling pressure on expectation of higher production. Market turned up after weak opening but fell thereafter on fresh selling. March-2008 contract slipped Rs.3 at Rs.422.70. Most active April 2008 contract opened weak at Rs.424.50 over the last close of Rs.426 and lost Rs.4.60 at Rs.421.40 and traded within Rs.421.40-426.30.

### 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 exhibits downward market for the next trading day. Prices closed below short term EMAs, hints short term bearish market. MACD prevails in the negative zone and moving upwards. Stochastic and RSI shows weak market. Volume declined but 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):** 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	421.40	424	428

### TRADE RECOMMENDATION (INTRADAY)

**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	06.09.07	05.09.07	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	20500-20700	20500-20700	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20500-20700	20500-20700	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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