

COTTON DAILY

28th SEPTEMBER, 2007

SPOT MARKETS:

Bearish trend continued in the North Indian cotton market on Thursday amidst strong arrivals of fresh crop against lower demand while the prices quoted up in Gujarat on expectation of crop damage due to bad weather. Incessant rains for last 4-5 days over several parts of Gujarat were damaged the standing cotton crop, which created pressure on the current prices, traders reported. The demand from the large 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. Around 15000-16000 bales of cotton arrived at the gins in the country.

Acreage is estimated at 9.06 Mln Ha as on May 1- Sept 14 over 8.68 Mln Ha of last year. Cotton export is estimated to up at 6.5 mln bales in 2007-08 over 5.5 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 2.69 mln bales of cotton this fiscal year. Government has pegged cotton production at 22.94 mln bales in 2007-08 over 22.7 mln bales of last year in their first advance estimate, it is much below than industry estimates of 31 mln bales.

On Thursday, Shankar-6 for Oct. delivery quoted up at Rs.20400-20600/candy in Gujarat but it remained steady at Rs.19300-500/candy in M.P. & Maharashtra for Nov-Dec delivery. In Haryana, the forward bargains for Full September offered down at Rs.1950-60/maund and Full Oct at Rs.1890-1900/maund. In Punjab, it traded down at Rs.1955-85/maund & Rs.1910-50/maund. Cotton prices are likely to remain up in the near future as long term on expectation of higher export demand due to lower global production.

INTERNATIONAL MARKET:

ICE cotton futures settled at the negative territory on Wednesday. Most-active December cotton slid 13 points at 65.95 cents/pound and traded in the range of 65.25-65.95 cents. Cotlook Cotton Indexes slight declined. North Europe A Index (2007-08 Crop) lost 5 points at 71.75 cents/pound while North Europe B Index (2007-08 Crop) slid 5 points at 69.85 cents/pound. Far Eastern A Index (2007-08 Crop) was down by 5 points at 70.25 cents/pound. In Karachi, KCA official spot rate has increased by Rs 25/maund to Rs.2875/maund.

FUTURES MARKETS:

NCDEX Kapas futures fell on Thursday amidst profit booking and fresh selling on weak spot market. Market went up slightly after weak opening but slid thereafter. March-2008 contract lost Rs.1.40 at Rs.420.50. Most active April 2008 contract opened down at Rs.424.80 over the last close of Rs.425 and slid Rs.2.30 at Rs.422.70 and traded within Rs.422-425.30.

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; Weather concerns

WEATHER:

Isolated heavy to very heavy rainfall is likely over North Konkan, Saurashtra and south Gujarat region. Rain/thundershowers are likely at a few places over north Coastal Andhra Pradesh &, Karnataka.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlestick charts shows weak market for the next trading day. Prices closed just below short term EMAs, hints steady market as short term. MACD enters in the positive zone & moving up. Stochastic and RSI hints weak market. Volume significantly increased while open interest significantly decreased. 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 on worries of late harvesting in Maharashtra and Gujarat.

Medium Term (1 Month): Down likely on expectation of higher output and strong arrivals.

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	416	422.70	425	428

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.424 with target towards Rs.420 and then Rs.417. Put stop loss strictly above Rs.427. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	27.09.07	26.09.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1960	1970	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1980	1990	-10.00
Abohar- Punjab	J-34	Rs./Maund	1060	1975	-15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1910	1925	-15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20800-21100	20800-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15500-16200	15500-16200	-
Maharashtra	Mech-I-29mm	Rs./Candy	-	-	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	-	-	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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