

COTTON DAILY

6th SEPTEMBER, 2007

SPOT MARKETS:

Cotton prices exhibited strong undertone on Wednesday at most of the market on fresh buying by the mills and tight international markets. Meanwhile, Maharashtra Cotton federation [Mahafed] has reduced prices of cotton by Rs. 400/candy. The exporters and big buyers are coming and making deals of new cotton but few are 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.

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 Wednesday, Shankar-6 (28mm) forward quoted up at Rs.19500/candy in Gujarat. In Haryana, the forward bargains for Full September quoted up at Rs.1965-70/maund and Full Oct at Rs.1905-10/maund. In Punjab, it offered up 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 hovered up on speculative buying on Tuesday. Most-active December cotton hit a new three-week high of 61.85 cents/pound and closed up 60 points at 61.57 cents/pound. Cotlook Cotton Indexes remained unchanged. North Europe A Index (2007-08 Crop) remained steady at 67.85 cents/pound. Far Eastern A Index (2007-08 Crop) was stable 67.00 cents/pound. In Karachi, KCA official spot rate has declined by Rs 50/maund to Rs 2800/manud. Phutti prices in Sindh traded at Rs 1200/maund and in Punjab at Rs 1300/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled down on Wednesday amidst profit taking due to early selling pressure. Market turned down after weak opening but recovered thereafter on fresh buying. March-2008 contract slipped Rs.1.10 at Rs.428.10. Most active April 2008 contract opened weak at Rs.426.40 over the last close of Rs.427.80 and lost Rs.1.60 at Rs.426.20 and traded within Rs.423.50-426.40.

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 shows slight strong market for the next trading day. Prices closed above short term EMAs, exhibits short term upward market. MACD prevails in the negative zone and moving upwards. Stochastic hints strong market but RSI hints weak. Volume as well as open interest significantly increased. Kapas is likely to trade up 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	423	420	426.20	430	433

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.425 with target towards Rs.429 and then Rs.432. Put stop loss strictly below Rs.422. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	05.09.07	04.09.07	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	20400-20500	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15600-16500	+100.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20700	20300-20500	+200.00
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20500-20700	20400-20600	+100.00
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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