

COTTON

Agriwatch
DAILY

COTTON

OCT 20, 2007

SPOT MARKETS:

Cotton prices rallied in the North Indian domestic cotton market on Friday amidst strong buying support from the millers and exporters despite robust arrivals but it remained steady in Western markets. But, traders said that the prices are likely to come down because supplies are poised to increase in the coming week. Majority of inquires have come from traders who exports cotton to China and Southeast Asian nations. Meanwhile, Indian exporters have already contracted to export of around 5-6 lakh bales of cotton for delivery in December and January, said traders. But, due to appreciation of Indian rupee against the dollar, Indian cotton yarn exporters are reporting problems lingering competitive against Pakistan. But, the government increased by 3% the amount of duty drawback allowed on exports of textiles and apparel, and lowered the rate on export credits.

In the prices front, the outlook is unlikely to bearish on higher output as export volumes are expected to witness a significant jump to over 6.5 mln bales in 2007-08 from 5.5 mln bales in 2006-07. Government has pegged cotton production at 22.94 mln bales in 2007-08 over 22.7 mln bales of last year, it is much below than industry's estimate of 31 mln bales. Local demand is estimated at close to 24 mln bales while closing stocks at 4.2 mln bales.

On Friday, Shankar-6 for Nov-Dec. delivery traded steady at Rs.19400-600/candy in Gujarat while Nov-Dec delivery offered stable at Rs.18800-19000/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded strong at Rs.1835-1860/maund while in Punjab, it quoted up at Rs.1850-2000/maund respectively. In the country, arrivals are reported to be strong at 1,00,000 bales. Northern Zone contributed 30000 bales while Gujarat's share was 30000 bales.

INTERNATIONAL MARKET:

ICE cotton futures rallied in spillover from strong commodities, namely grains on Thursday. December cotton climbed 159 points to 65.15 cents/pound and hovered in the range of 63.85-65.30. Cotlook Cotton Indexes increased on Thursday. Therefore North Europe A Index (2007-08 Crop) was up 20 points at 70.15 cents/pound while North Europe B Index (2007-08 Crop) gained 15 points at 67.75 cents/pound. Far Eastern A Index (2007-08 Crop) added 25 points at 68.35 cents/pound. In Karachi, KCA official spot rate remained unchanged at Rs 2825/maund.

FUTURES MARKETS:

MCX Kapas futures rebounded to down on Friday amidst profit booking due to mostly over bought condition of the market. Market slipped after firm opening and settled near the session low. Most active April-2008 contract lost Rs.1.80 at Rs.434.50 after strong opening at Rs.437.70 and traded within Rs.434.20-438. NCDEX Most active April 2008 contract opened up at Rs.442 and slid Rs.1.50 at Rs.439.50 and traded within Rs.438.80-442.50.

PRICE DRIVERS:

1. Higher production estimates; Strong arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Increasing demand from millers and exporters

WEATHER:

North India cotton has become hotter and drier recently. This should favor the crop, after earlier rains. Favorable moisture for the crop in south India is expected.

TECHNICALS: MCX Kapas APRIL Contract-2008

Candlestick chart exhibits weak market for the next trading day. Prices closed far above short term EMAs, hints bullish market as short term. MACD is moving up in the positive zone. Stochastic and RSI indicates technical weakness of the market. Volume as well as open interest significantly declined, did not supports the market trend. Kapas is to be trade down after firm opening with possibility of some upward movement at the later session.

MCX Kapas APRIL Contract-2008



SUPPORT / RESISTANCES:

MCX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	432	428	434.5	437	440

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.436 with target towards Rs.431 and then Rs.429. Put stop loss strictly above Rs.440. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	436	433	439.5	442	445

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.441 with target towards Rs.436 and then Rs.434. Put stop loss strictly above Rs.445. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	19.10.07	18.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1850	1840	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1895	1875	+20.00
Abohar- Punjab	J-34	Rs./Maund	1865	1855	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1790	1780	+10.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19400-19600	19400-19600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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