

# COTTON

Agriwatch  
DAILY

## COTTON

OCT 13, 2007

### SPOT MARKETS:

Cotton prices rose in Gujarat and North Indian markets in response to persistent millers and exporters' demand despite strong arrivals. However, prices lowered across Maharashtra. Daily arrivals are increasing day by day as the country is likely to reap a bumper crop of about 31 million bales. But, buyers are expected that prices to go down further as arrival pace picks up in the coming weeks. Around 80000-90000 bales of cotton arrived daily in the domestic markets this week, up from around 35,000 bales last week. Cotton arrivals are likely to cross 100,000 bales from Monday as the auspicious festival season starts. However, Indian exporters have already contracted exports of around 1.5 million bales of cotton for delivery in December and January, said traders. Due to appreciation of Indian rupee against the dollar, Indian cotton yarn exporters are reporting problems lingering competitive against Pakistan.

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 up at Rs.19000-200/candy in Gujarat while Nov-Dec delivery offered down at Rs.18400-600/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded up at Rs.1750-1800/maund while in Punjab, it quoted up at Rs.1785-1830/maund respectively. In the country, arrivals are reported to be up at 87000 bales as compared to 85000 bales of last day. Northern Zone contributed 31000 bales while Gujarat's share was 30000 bales.

### INTERNATIONAL MARKET:

ICE cotton futures tumbled on Thursday. December cotton futures slid 48 points at 63.73 cents/pound. Cotlook Cotton Indexes rose further. North Europe A Index (2007-08 Crop) gained 55 points at 70.40 cents/pound while North Europe B Index (2007-08 Crop) gained 70 points at 68.10 cents/pound. Far Eastern A Index (2007-08 Crop) added 65 points at 68.60 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2825/maund.

### FUTURES MARKETS:

MCX Kapas futures settled up on Friday amidst early buying support. However, market hovered up after mostly strong opening but slipped thereafter on increased selling though closed up over the last closing price. Most active April-2008 contract added Rs.1.90 at Rs.419.60 after strong opening at Rs.420 and hovered within Rs.419.30-424.90. Besides, NCDEX Most active April 2008 contract opened up at Rs.422.90 over last close of Rs.421.20 and gained Rs.2.30 at Rs.423.50 and traded within Rs.422.60-428.50.

### PRICE DRIVERS:

1. Higher production estimates; Robust arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Picking up 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 shows weak market for the next trading day. Prices closed above short term EMAs, hints steady to bullish market as short term. MACD moving up in the negative zone. Stochastic and RSI indicates strong market. Volume significantly decreased but open interest considerably increased. Kapas is to be trade weak 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	416	413	419.6	422	425

### TRADE RECOMMENDATION (INTRADAY)

**Sell MCX-APRIL-Kapas** below Rs.421 with target towards Rs.416.5 and then Rs.414. Put stop loss strictly above Rs.425. Do not carry forward the position for the next trading day.

### NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	419	415	423.5	426	429

### TRADE RECOMMENDATION (INTRADAY)

**Sell NCDEX-APRIL-Kapas** below Rs.425 with target towards Rs.419.5 and then Rs.417. Put stop loss strictly above Rs.428.5. Do not carry forward the position for the next trading day.

COMMODITIES RESEARCH

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## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	12.10.07	11.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1790	1785	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1820	1810	+10.00
Abohar- Punjab	J-34	Rs./Maund	1795	1790	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1765	1755	+10.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19200-19400	19000-19200	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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