

**SPOT MARKETS:**

Cotton prices rallied in the Indian domestic cotton market on Thursday amidst strong buying support from the millers and exporters despite robust arrivals. 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 Thursday, Shankar-6 for Nov-Dec. delivery traded up at Rs.19400-600/candy in Gujarat while Nov-Dec delivery offered strong at Rs.18800-19000/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded strong at Rs.1825-1850/maund while in Punjab, it quoted up at Rs.1840-1880/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 marginally increased following a see-saw trading session of range-bound consolidation on Wednesday. December cotton futures gained 11 points at 63.56 cents/pound and traded in the range of 63.25-63.90 cents. Cotlook Cotton Indexes declined on Tuesday. North Europe A Index (2007-08 Crop) was down 25 points at 69.90 cents/pound while North Europe B Index (2007-08 Crop) lost 35 points at 67.50 cents/pound. Far Eastern A Index (2007-08 Crop) slid 30 points at 68.05 cents/pound. In Karachi, KCA official spot rate remained unchanged at Rs 2825/maund.

**FUTURES MARKETS:**

MCX Kapas futures skyrocketed on Thursday amidst strong buying support on firm spot market. Market hovered up after strong opening and settled nearer the session high. Most active April-2008 contract climbed Rs.8.70 at Rs.436.50 after strong opening at Rs.429 and hovered within Rs.429-436.80. NCDEX Most active April 2008 contract opened up at Rs.433 and gained Rs.8.60 at Rs.441.20 and traded within Rs.433-442.50.

**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 hints strong 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 correction due to mostly overbought condition of the market. Volume as well as open interest significantly increased, supports the market trend. Kapas is to be trade up after firm opening with possibility of some downward movement at the later session.

**MCX Kapas APRIL Contract-2008****SUPPORT / RESISTANCES:****MCX Kapas APRIL Contract 2008**

Month	S1	S2	PCP	R1	R2
APRIL	433	430	436.5	440	445

**TRADE RECOMMENDATION (INTRADAY)**

**Risk lovers can Buy MCX-APRIL-Kapas** above Rs.434 with target towards Rs.439 and then Rs.442. Put stop loss strictly below Rs.430. 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	441.2	445	448

**TRADE RECOMMENDATION (INTRADAY)**

**Risk lovers can Buy NCDEX-APRIL-Kapas** above Rs.439 with target towards Rs.444 and then Rs.446. Put stop loss strictly below Rs.435. Do not carry forward the position for the next trading day.

# COTTON

**Agriwatch**  
DAILY

■ COTTON

■ OCT 19, 2007

## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	18.10.07	17.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1840	1830	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1875	1860	+15.00
Abohar- Punjab	J-34	Rs./Maund	1855	1835	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1780	1775	+5.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19400-19600	19300-19600	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2007 Indian Agribusiness Systems Pvt Ltd.