

## COTTON

OCT 06, 2007

## SPOT MARKETS:

Cotton prices slight improved on Friday amidst fresh mills buying however strong arrivals restricted the market prices. While the prices declined in Western markets on sluggish demand. However, the demand from the big millers and exporters are witnessing very weak as they are expecting that the prices to go down further as arrival pace picks up in the coming weeks. In addition, a Hindu religious period of mourning had started from Thursday, when most of the traders will abstain from commercial transactions. Therefore the supplies and demand are anticipated to remain weak during this period. However, the Indian exporters have already contracted to export of around 1.5 million bales of cotton for delivery in December and January, according to trade sources. Nearly 50% of the export contracts are for cotton being harvested in Gujarat.

In the prices front, the outlook is not likely to bearish due to higher production because 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. Closing stocks, projected at 4.2 mln bales this year.

On Friday, Shankar-6 for Dec.-Jan. delivery quoted down at Rs.19000-300/candy in Gujarat while Nov-Dec delivery offered down at Rs.18800-19000/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded in the range of Rs.1765-1820/maund while in Punjab, it quoted at Rs.1820-1860/maund respectively. In the country, the arrivals have increased to 72000 bales as compared to 58000 bales of last day.

## INTERNATIONAL MARKET:

ICE cotton futures closed slight up on Thursday. Most active December cotton gained 6 points at 63.49 cents/pound and traded in the range of 63.15-63.68 cents. Cotlook Cotton Indexes slight improved. North Europe A Index (2007-08 Crop) was up by 5 points at 70.20 cents/pound while North Europe B Index (2007-08 Crop) gained 10 points at 67.85 cents/pound. Far Eastern A Index (2007-08 Crop) added 25 points at 68.40 cents/pound. In Pakistan, KCA official spot rate has slid by Rs 25/maund at Rs 2850/maund.

## FUTURES MARKETS:

MCX Kapas futures settled with marginal changes on Friday amidst thin trading activity. Market went up after slight strong opening but traded rangebound in thin trading activity. Most active April-2008 contract added Rs.0.30 at Rs.411.50 after slight firm opening at Rs.411.40 and traded in the range of Rs.410.50-412.80. Besides, NCDEX Most active April 2008 contract opened slight up at Rs.415.40 over the last close of Rs.415.30 and lost Rs.0.10 at Rs.415.20 and traded within Rs.414.20-416.50.

## PRICE DRIVERS:

1. Higher production estimates
2. Weak dollar against rupee
3. Strong arrivals of fresh cotton; Hindu religious period of mourning
4. Sluggish demand from exporters and mills

## WEATHER:

North India cotton areas had experienced some thunderstorm activity last week, but it has turned drier the past couple days. Favorable moisture for the crop in south India is expected.

## TECHNICALS: MCX Kapas APRIL Contract-2008

Candlestick charts shows indecisive market for the next trading day. Prices closed just below short term EMAs, indicates slight weak market as short term. MACD entered in the positive zone & moving down. Stochastic and RSI hints strong market. Volume as well as open interest significantly declined. Kapas is to be trade slight up after strong 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	407	404	411.5	415	418

## TRADE RECOMMENDATION (INTRADAY)

**Sell** MCX-APRIL-Kapas below Rs.414 with target towards Rs.410 and then Rs.408. Put stop loss strictly above Rs.417. Do not carry forward the position for the next trading day.

## NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	411	407	415.2	418	421

## TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.417 with target towards Rs.412 and then Rs.410. Put stop loss strictly above Rs.421. Do not carry forward the position for the next trading day.



### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	05.10.07	05.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1820	1815	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1855	1855	-
Abohar- Punjab	J-34	Rs./Maund	1825	1830	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1775	1775	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy		-	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-15700	15300-16000	-100.00
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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