

COTTON

OCT 31, 2007

SPOT MARKETS:

Cotton lint prices continued to maintain a firm to steady trend in the domestic markets amidst slight lower arrivals against the strong demand from the exporters and millers. But the traders are expecting that the prices will come down once the mills start processing cotton at full fledged following Diwali in early November, when the entire quantity of raw cotton seeds will be converted to exportable cotton. The demands from the exporters are observing quiet well but the suppliers are unable to process the entire quantity of raw cotton arriving in the open market. With increasing arrivals everyday, the traders are worried that there is very little chance of any long-term bullish trend in prices in spite of demand being good. Meanwhile, the exporters have contracted to export of around 5-6 lakh bales of cotton for delivery in December and January.

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. However, the cotton production in 2007/08 is expected to slip below the estimates of 31 million bales as key growing states have been hit by pest attacks and crop disease due to excess rainfall in key cotton growing states like Punjab, Maharashtra and Haryana. Local demand is estimated at close to 24 mln bales while closing stocks at 4.2 mln bales.

On Tuesday, Shankar-6 28 mm delivery quoted down at Rs.19800-20000/candy in Gujarat. In Haryana, J-34 cotton quoted up at Rs.1850-1920/maund while in Punjab, it offered up at Rs.1925-1970/maund respectively. In the country, arrivals are reported to be at 1,10,000 bales. Northern Zone supplied around 25000 bales while Gujarat's share was about 35000 bales.

INTERNATIONAL MARKET:

ICE cotton futures settled moderately up Monday. December contract gained 14 points to 64.77 cents/pound. Cotlook Cotton Indexes increased. North Europe A Index (2007-08 Crop) gained 10 points at 71.50 cents/pound while North Europe B Index (2007-08 Crop) added 20 points at 69.10 cents/pound. Far Eastern A Index (2007-08 Crop) rose 15 points at 69.80 cents/pound. In Karachi, KCA official spot rate increased Rs 50/maund at Rs 3000/maund.

FUTURES MARKETS:

MCX Kapas futures settled slight down on Tuesday amidst lack of buyers at upper level due to over bought condition of the market. Futures market went slight up after mostly weak opening and traded in a tight range. Most active April-2008 contract lost Rs.0.8 at Rs.441.5 after weak opening at Rs.441 and traded within Rs.439.4-442.2. However, NCDEX Most active April 2008 contract opened mostly weak at Rs.449.7 and settled with no change at Rs.451 and traded within Rs.447.2-452.5.

PRICE DRIVERS:

1. Anticipation of less production than earlier estimates
2. Strong demand from millers and exporters
3. Steady arrivals; International market demand
4. Tight stocks to the mills

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 slight weak market for the next trading day. Prices closed above short term EMAs, hints bullish market as short term. MACD prevails in the positive zone. Stochastic indicates bullish market while RSI favours the bears. Volume significantly declined but open interest remarkably increased, did not support the present market's trend. Kapas is to be trade steady to up after weak 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	439	435	441.5	445	448

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.439.5 with target towards Rs.444.5 and then Rs.447. Put stop loss strictly below Rs.435. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	446	442	451	455	460

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.448 with target towards Rs.454 and then Rs.457. Put stop loss strictly below Rs.444. Do not carry forward the position for the next trading day.

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VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	30.10.07	29.10.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1910	1890	+20.00
Muktsar-Punjab	J-34	Rs./Maund	1960	1940	+20.00
Abohar- Punjab	J-34	Rs./Maund	1940	1925	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1835	1815	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19800-20000	19900-20100	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-600	15300-700	-100.00
Maharashtra	Mech-I-29 mm	Rs./Candy	19300-500	-	
Maharashtra	Mech-I-30 mm	Rs./Candy	19600-800	-	
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19300-500	-	
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19600-800	-	

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