

COTTON

OCT 09, 2007

SPOT MARKETS:

Cotton prices maintained current bearish trend in the spot as well as futures market on Monday amidst passive demand from millers and exporters coupled with robust arrivals of fresh cotton. Actually, the exporters and millers 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, which will be ended on 10th October, when most of the traders will abstain from commercial transactions. Therefore the 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. Besides, cotton ginning factories in Gujarat have decided to charge pressing and packaging charges separately in their invoices.

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 Monday, Shankar-6 for Dec.-Jan. delivery tumbled at Rs.18800-19000/candy in Gujarat while Nov-Dec delivery offered down at Rs.18300-500/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded mostly weak at Rs.1730-1780/maund while in Punjab, it registered bearish at Rs.1725-1830/maund respectively. In the country, the arrivals have slid to 72000 bales as compared to 75000 bales of last day. Northern Zone contributed 35000 bales. In Gujarat, daily arrivals reached more than 25,000 bales.

INTERNATIONAL MARKET:

ICE remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the cotton trading activity remained well on Saturday in the Karachi market as mills showed interest in new deals at the lower rate. Phutti (Seed cotton) prices showed bearish trend in Punjab and traded at Rs 1310-1350/maund and it also fell in Sindh to Rs 1400-1425/maund. In Karachi, KCA official spot rate was flat at Rs 2850/maund.

FUTURES MARKETS:

MCX Kapas futures closed slight up on Monday amidst profit booking. Market tumbled after slight weak opening and made new contract low but moved up thereafter on mild buying support. Most active April-2008 contract added Rs.0.30 at Rs.406.30 after weak opening at Rs.405.90 and traded in the range of Rs.403.90-407.40. Besides, NCDEX Most active April 2008 contract opened weak at Rs.409.50 over the last close of Rs.410.50 and gained Rs.0.20 at Rs.410.70 and traded within Rs.408.20-411.40.

PRICE DRIVERS:

1. Higher production estimates; Weak dollar against rupee
2. Robust arrivals; Hindu religious period of mourning
3. Passive exporter's and miller's demand

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 improvement of the market for the next trading day. Prices closed below short term EMAs, hints weak market as short term. MACD moving down in the negative zone. Stochastic and RSI indicates slight strong market. Volume as well as open interest significantly decreased. Kapas is to be trade slight 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	401	396	406.3	410	415

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.409 with target towards Rs.403 and then Rs.400. Put stop loss strictly above Rs.414. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	406	402	410.7	414	418

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.413 with target towards Rs.407 and then Rs.405. Put stop loss strictly above Rs.418. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	08.10.07	06.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1775	1810	-35.00
Muktsar-Punjab	J-34	Rs./Maund	1830	1845	-15.00
Abohar- Punjab	J-34	Rs./Maund	1800	1800	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1750	1770	-20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19000-19300	-	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	15100-15600	-300.00
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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