

COTTON

Agriwatch
DAILY

COTTON

OCT 11, 2007

SPOT MARKETS:

Cotton prices slight improved in North Indian markets on Wednesday amidst moderate buying against lower arrivals while the prices witnessed down in Western markets. 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 is 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. 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 Wednesday, Shankar-6 for Dec.-Jan. delivery traded steady at Rs.18700-19000/candy in Gujarat while Nov-Dec delivery offered at Rs.18200-400/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded steady at Rs.1740-1780/maund while in Punjab, it quoted up at Rs.1750-1820/maund respectively. In the country, arrivals are reported to be up at 80000 bales as compared to 72000 bales of last day. Northern Zone contributed 28000 bales while Gujarat's share was 30000 bales.

INTERNATIONAL MARKET:

ICE cotton futures rebounded to up on Tuesday. December cotton futures gained 52 points at 62.95 cents/pound. Cotlook Cotton Indexes decreased. North Europe A Index (2007-08 Crop) was down at 69.60 cents/pound while North Europe B Index (2007-08 Crop) shed at 67.15 cents/pound. Far Eastern A Index (2007-08 Crop) slid at 67.70 cents/pound. In Karachi, KCA official spot rate has shed by Rs 25/maund to Rs 2825/maund.

FUTURES MARKETS:

MCX Kapas futures settled up for the consecutive third day due to profit taking and buying interest. Market hovered up after mostly firm opening but set back from session's high on fresh selling. Most active April-2008 contract added Rs.3.10 at Rs.412.90 after strong opening at Rs.411.50 and traded in the range of Rs.411.30-414.30. Besides, NCDEX Most active April 2008 contract opened up at Rs.414.90 over last close of Rs.414 and gained Rs.3 at Rs.417 and traded within Rs.414.90-418.20.

PRICE DRIVERS:

1. Higher production estimates; Robust arrivals
2. Cotton exporters faces competition due to rupee appreciation
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 upward 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 bullish market. Volume significantly increased but open interest remained steady. Kapas is to be trade up initially 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	410	407	412.9	417	420

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.416.5 with target towards Rs.412.5 and then Rs.410. Put stop loss strictly above Rs.420. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	415	412	417	421	424

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.420 with target towards Rs.416 and then Rs.413. Put stop loss strictly above Rs.423. 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	10.10.07	09.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1780	1785	-5.00
Muktsar-Punjab	J-34	Rs./Maund	1820	1835	-15.00
Abohar- Punjab	J-34	Rs./Maund	1785	1800	-15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1745	1755	-10.00
Ahmedabad/Kadi - Gujarat	Shankar-6	Rs./Candy	18900-19000	19000-19300	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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