

SPOT MARKETS:

Cotton prices rallied in the North Indian market on Tuesday amidst strong buying support from the millers and exporters despite robust arrivals while the prices were almost steady in the other major markets even as crop damage concerns linked with diseases and mealy bug attack prevailed in Gujarat. Indian exporters have already contracted exports of around 1.5 million bales of cotton for delivery in December and January, said traders. 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 response to the rupee's appreciation against the US dollar. Assuming that the measures sustain the growth in exports, cotton consumption in 2007/08 will total 4.3 million metric tonnes, almost 5% more than in 2006/07.

In the prices front, the outlook is unlikely to be bullish 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 Nov-Dec. delivery traded stable at Rs.19200-400/candy in Gujarat while Nov-Dec delivery offered steady at Rs.18300-600/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded up at Rs.1770-1835/maund while in Punjab, it quoted up at Rs.1805-1860/maund respectively. In the country, arrivals are reported to be at 81000 bales as compared to 82000 bales of last day. Northern Zone contributed 28000 bales while Gujarat's share was 28000 bales.

INTERNATIONAL MARKET:

ICE cotton futures closed mixed on Tuesday. December contracts gained 13 points at 63.45 cents/pound and traded in the range of 62.62-63.65 cents. Cotlook Cotton Indexes slid. 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.

FUTURES MARKETS:

MCX Kapas futures rebounded to down on Wednesday amidst profit taking due to overbought condition of the market. Market went up after weak opening but tumbled thereafter and settled near the session's low. Most active April-2008 contract lost Rs.3 at Rs.427.90 after weak opening at Rs.430.30 and traded within Rs.427.50-431.70. NCDEX Most active April 2008 contract opened down at Rs.434.60 and slid Rs.3.10 at Rs.432.70 and traded within Rs.432-436.

PRICE DRIVERS:

1. Higher production estimates; Robust arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Picking up 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 downward 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 weakness. Volume as well as open interest decreased, do not support the market trend. Kapas is to be traded down after weak opening with possibility of some upward movement at the later session.

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

Month	S1	S2	PCP	R1	R2
APRIL	424	420	427.9	432	435

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.430 with target towards Rs.425 and then Rs.423. Put stop loss strictly above Rs.434. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	428	425	432.7	436	439

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.434 with target towards Rs.429 and then Rs.427. Put stop loss strictly above Rs.438. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	17.10.07	16.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund		1825	+15.00
Muktsar-Punjab	J-34	Rs./Maund		1845	+15.00
Abohar- Punjab	J-34	Rs./Maund		1815	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund		1795	+15.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy		19300-19600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy		14800-15300	-

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