

## COTTON

OCT 22, 2007

## SPOT MARKETS:

Cotton prices remained almost flat in the North Indian domestic cotton market on Saturday amidst strong buying support from the millers and exporters despite robust arrivals but it remained steady in Western markets. But, traders said that the prices are likely to come down because supplies are poised to increase in the coming week. Majority of inquires have come from traders who exports cotton to China and Southeast Asian nations. Meanwhile, Indian exporters have already contracted to export of around 5-6 lakh bales of cotton for delivery in December and January, said traders. But, 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 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 Saturday, Shankar-6 for Nov-Dec. delivery traded steady at Rs.19400-600/candy in Gujarat while Nov-Dec delivery offered stable at Rs.18800-19000/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded steady at Rs.1835-1860/maund while in Punjab, it quoted stable at Rs.1850-2000/maund respectively. In the country, arrivals are reported to be strong at 1,00,000 bales. Northern Zone contributed 30000 bales while Gujarat's share was 30000 bales.

## INTERNATIONAL MARKET:

ICE cotton futures settled up on Friday. December futures settled 25 points higher at 65.40 cents/pound. Cotlook Cotton Indexes increased on Friday. Therefore North Europe A Index (2007-08 Crop) was up 135 points at 71.50 cents/pound while North Europe B Index (2007-08 Crop) gained 140 points at 69.15 cents/pound. Far Eastern A Index (2007-08 Crop) added 145 points at 69.80 cents/pound. In Karachi, KCA official spot rate remained unchanged at Rs 2825/maund.

## FUTURES MARKETS:

MCX Kapas futures closed down on Saturday amidst profit booking due to mostly over bought condition of the market. Market went slight up after slight weak opening but slid thereafter. Most active April-2008 contract lost Rs.3.30 at Rs.431.40 after weak opening at Rs.434.50 and traded within Rs.431-436.80. NCDEX Most active April 2008 contract opened up at Rs.440 and slid Rs.2.20 at Rs.437.20 and traded within Rs.436.20-442.20.

## PRICE DRIVERS:

1. Higher production estimates; Strong arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Increasing 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 exhibits weak 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 of the market. Volume significantly declined but open interest remains steady, did not supports the market. Kapas is to be trade down after firm 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 | 427 | 424 | 431.4 | 434 | 437 |

## TRADE RECOMMENDATION (INTRADAY)

**Sell MCX-APRIL-Kapas** below Rs.433 with target towards Rs.428 and then Rs.426. Put stop loss strictly above Rs.437. Do not carry forward the position for the next trading day.

## NCDEX Kapas APRIL Contract 2008

| Month | S1  | S2  | PCP   | R1  | R2  |
|-------|-----|-----|-------|-----|-----|
| APRIL | 433 | 428 | 437.2 | 442 | 445 |

## TRADE RECOMMENDATION (INTRADAY)

**Sell NCDEX-APRIL-Kapas** below Rs.439 with target towards Rs.434 and then Rs.432. Put stop loss strictly above Rs.443. Do not carry forward the position for the next trading day.



### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

| Markets                   | Variety         | Units     | 19.10.07    | 19.10.07    | Change |
|---------------------------|-----------------|-----------|-------------|-------------|--------|
| Sirsa- Haryana            | J-34            | Rs./Maund | 1850        | 1850        | -      |
| Muktsar-Punjab            | J-34            | Rs./Maund | 1895        | 1895        | -      |
| Abohar- Punjab            | J-34            | Rs./Maund | 1865        | 1865        | -      |
| Sri Ganganagar- Rajasthan | J-34            | Rs./Maund | 1790        | 1790        | -      |
| Ahmedabad/Kadi - Gujarat  | Shankar-6 Ready | Rs./Candy | 19400-19600 | 19400-19600 | -      |
| Ahmedabad/Kadi - Gujarat  | V-797 Kapas     | Rs./Candy | 14800-15300 | 14800-15300 | -      |

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