

# COTTON

**Agriwatch**  
DAILY

## COTTON

NOV 01, 2007

### SPOT MARKETS:

Cotton lint prices continued to maintain a firm to steady trend in the domestic markets amidst strong demand from the exporters and millers despite higher arrivals. 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 Wednesday, Shankar-6 28 mm delivery quoted steady at Rs.19800-20000/candy in Gujarat. In Haryana, J-34 cotton quoted up at Rs.1860-1935/maund while in Punjab, it registered up at Rs.1935-1980/maund respectively. In the country, arrivals are reported to be at 1,25,000 bales. Northern Zone supplied around 27000 bales while Gujarat's share was about 40000 bales.

### INTERNATIONAL MARKET:

ICE cotton futures declined on Tuesday. December futures tumbled 90 points at 63.87 cents/pound and traded in the range of 63.58-64.40 cents. Cotlook Cotton Indexes remained unchanged. North Europe A Index (2007-08 Crop) was flat at 71.50 cents/pound while North Europe B Index (2007-08 Crop) was unchanged at 69.10 cents/pound. Far Eastern A Index (2007-08 Crop) remained steady at 69.80 cents/pound. Karachi Cotton Association official spot rate has picked up again by Rs 25/maund to Rs 3025/maund.

### FUTURES MARKETS:

MCX Kapas futures soared Wednesday amidst strong buying support on firm spot market. Futures market hovered up after weak open and set back from session's high after made a new contract high. Most active April-2008 contract gained Rs.5.1 at Rs.446 after weak opening at Rs.440.5 and traded within Rs.440.5-447.5. NCDEX Most active April 2008 contract opened up at Rs.450 and settled Rs.8.3 up at Rs.458 and traded within Rs.450-461.4.

### PRICE DRIVERS:

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

### 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 strong market for the next trading day. Prices closed above short term EMAs, indicates strong market as short term. MACD moving up in the positive zone. Stochastic as well as RSI indicates bullish market. Volume as well as open interest sharply increased, supports the present market's trend. Kapas is to be trade 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	441	437	446	450	454

### TRADE RECOMMENDATION (INTRADAY)

**Buy MCX-APRIL-Kapas** above Rs.443.5 with target towards Rs.449.5 and then Rs.453. Put stop loss strictly below Rs.439.5. Do not carry forward the position for the next trading day.

### NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	455	450	458	462	467

### TRADE RECOMMENDATION (INTRADAY)

**Buy NCDEX-APRIL-Kapas** above Rs.455.5 with target towards Rs.461.5 and then Rs.465. Put stop loss strictly below Rs.451. 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	31.10.07	30.10.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1920	1910	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1970	1960	+10.00
Abohar- Punjab	J-34	Rs./Maund	1955	1940	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1845	1835	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19800-20000	19800-20000	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-600	15200-600	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19300-500	19300-500	-
Maharashtra	Mech-I-30 mm	Rs./Candy	19600-800	19600-800	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19300-500	19300-500	-
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19600-800	19600-800	-

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