



■ COTTON

■ OCT 25, 2007

SPOT MARKETS:

Cotton prices continued to rally on Wednesday in the domestic cotton markets of the country amidst improved enquiries from the millers and exporters. Speculations linked with lower crop for next season also worked in favour of the rise. 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. Cotton arrivals climbed to 568,000 bales during the week ending October 13, 2007, 34.6% up over the last year. Total 2007/08 cotton arrivals have now reached at 1,1031,000 bales, 19.6% up as against of last year.

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 Nov-Dec. delivery traded up at Rs.19700-900/candy in Gujarat while Nov-Dec delivery offered down at Rs.18800-200/candy in M.P. & Maharashtra. In Haryana, J-34 cotton traded up at Rs.1810-1865/maund while in Punjab, it offered up at Rs.1865-1910/maund respectively. In the country, arrivals are reported to be at 1,00,000 bales. Northern Zone contributed 30000 bales while Gujarat's share was 25000 bales.

INTERNATIONAL MARKET:

ICE cotton futures closed up on Tuesday. December cotton gained 39 points to 65.26 cents/pound and traded in the range of 64.60-65.50 cents. Cotlook Cotton Indexes declined. North Europe A Index (2007-08 Crop) was down 30 points at 71.45 cents/pound while North Europe B Index (2007-08 Crop) lost 30 points at 69.10 cents/pound. Far Eastern A Index (2007-08 Crop) slid 30 points at 69.75 cents/pound. In Pakistan, KCA official spot rate rose further Rs 25/maund to Rs 2875/maund.

FUTURES MARKETS:

MCX Kapas futures closed up on Wednesday amidst early buying support. Market hovered up after mostly strong opening but slid at late hour and closed below from the session's high. Most active April-2008 contract added Rs.2.30 at Rs.436.10 after strong opening at Rs.436 and traded within Rs.435.60-438.80. NCDEX Most active April 2008 contract opened mostly up at Rs.440.70 and lost Rs.0.20 at Rs.439.30 and traded within Rs.439.30-444.30.

PRICE DRIVERS:

1. Expectation of less production than earlier estimates
2. Increasing demand from millers and exporters
3. Strong arrivals; International market 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 weak market for the next trading day. Prices closed above short term EMAs, hints bullish market as short term. MACD prevails in the positive zone. Stochastic and RSI indicates bullish market. Volume significantly declined but open interest increased, did not supports the market's trend. Kapas is to be trade down 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	431	428	436.1	439	442

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.438 with target towards Rs.433 and then Rs.431. Put stop loss strictly above Rs.442. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	436	433	439.3	443	446

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.442 with target towards Rs.437 and then Rs.435. Put stop loss strictly above Rs.446. Do not carry forward the position for the next trading day.



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VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	24.10.07	23.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1855	1840	+15.00
Muktsar-Punjab	J-34	Rs./Maund	1900	1885	+15.00
Abohar- Punjab	J-34	Rs./Maund	1875	1860	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1780	1775	+5.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19700-900	19600-19800	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-600	15000-15500	+200.00

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