

SPOT MARKETS:

Cotton prices improved on Monday in the country amidst strong demand despite strong arrivals. However, USDA projection of India's exports to decline next season made a bearish sentiment in the market, traders quoted. Daily arrivals are increasing day by day as the country is likely to reap a bumper crop of about 31 million bales. But, buyers are expected that prices to go down further as arrival pace picks up in the coming weeks. New crop arrivals during the first week of October have reached to 463,000 170-kilogram bales, calculated by the Cotton Corporation of India. This volume showed a 5.2% year-on-year increase from the last year. However, 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.

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 Monday, Shankar-6 for Nov-Dec. delivery traded up 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.1760-1820/maund while in Punjab, it quoted up at Rs.1795-1850/maund respectively. In the country, arrivals are reported to be at 82000 bales as compared to 85000 bales of last day. Northern Zone contributed 30000 bales while Gujarat's share was 28000 bales.

INTERNATIONAL MARKET:

ICE remained closed on Saturday and Sunday for weekend holiday. In Pakistan, thin trading activity was witnessed on the Karachi cotton market on Saturday because most of the buyers were busy in Juma-tul-Vida prayers ahead of long week-end. The market remained almost closed on Saturday. The Karachi Cotton Association (KCA) official spot rate continued to remain unchanged at Rs 2825/maund.

FUTURES MARKETS:

MCX Kapas futures settled up on Monday amidst strong buying support on firm spot market. Market slipped after weak opening but moved up thereafter. Most active April-2008 contract climbed Rs.2.60 at Rs.428.10 after weak opening at Rs.426 and hovered within Rs.423-428.70. Besides, NCDEX Most active April 2008 contract opened up at Rs.431 over last close of Rs.429 and gained Rs.3.50 at Rs.432.50 and traded within Rs.427.50-432.80.

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 exhibits strong market for the next trading day. Prices closed above short term EMAs, hints bullish market as short term. MACD has entered in the positive zone. Stochastic and RSI indicates bullish market. Volume declined but open interest considerably increased, supports the market trend. Kapas is to be trade up 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 | 425 | 422 | 428.1 | 432 | 436 |

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.426 with target towards Rs.431 and then Rs.434. Put stop loss strictly below Rs.422. 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 | 432.5 | 437 | 440 |

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.431 with target towards Rs.436 and then Rs.438. Put stop loss strictly below Rs.427. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

| Markets | Variety | Units | 15.10.07 | 13.10.07 | Change |
|---------------------------|-----------------|-----------|-------------|-------------|---------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1810 | 1795 | +15.00 |
| Muktsar-Punjab | J-34 | Rs./Maund | 1830 | 1820 | +10.00 |
| Abohar- Punjab | J-34 | Rs./Maund | 1805 | 1795 | +10.00 |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1780 | 1770 | +10.00 |
| Ahmedabad/Kadi - Gujarat | Shankar-6 Ready | Rs./Candy | 19300-19600 | 19100-19300 | +200.00 |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 14800-15300 | 14800-15300 | - |

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