

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 Tuesday, 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 slid Monday in consolidation trading. December contracts lost 55 points at 63.32 cents/pound and traded in the range of 63.25-64.45 cents. Cotlook Cotton Indexes marginally increased on Monday. North Europe A Index (2007-08 Crop) was up 5 points at 70.15 cents/pound while North Europe B Index (2007-08 Crop) gained 10 points at 67.85 cents/pound. Far Eastern A Index (2007-08 Crop) added 10 points at 68.35 cents/pound.

FUTURES MARKETS:

MCX Kapas futures continued to trade strong Tuesday amidst strong buying support on firm spot market. Market slightly declined after firm opening but moved up thereafter and finally settled down from the session's high on profit taking. Most active April-2008 contract gained Rs.2.50 at Rs.430.60 after firm opening at Rs.428.70 and traded within Rs.427.20-431.90. NCDEX Most active April 2008 contract opened up at Rs.432.90 and added Rs.2.70 at Rs.435.10 and traded within Rs.430.50-436.80.

PRICE DRIVERS:

1. Higher production estimates; Robust arrivals
2. Cotton exporters face 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 slight upward 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 correction due to overbought condition of the market. Volume as well as open interest decreased, do not support the market trend. Kapas is to be traded slight 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	427	423	430.6	434	437

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.433 with target towards Rs.428 and then Rs.425. 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	431	428	435.1	438	441

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.437 with target towards Rs.432 and then Rs.429. Put stop loss strictly above Rs.441. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	16.10.07	15.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1825	1810	+15.00
Muktsar-Punjab	J-34	Rs./Maund	1845	1830	+15.00
Abohar- Punjab	J-34	Rs./Maund	1815	1805	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1795	1780	+15.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19300-19600	19300-19600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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