

COTTON

Agriwatch
DAILY

COTTON

OCT 03, 2007

SPOT MARKETS:

Cotton prices maintained bearish trend on Monday in the domestic spot market amidst strong arrivals against weak demand. Currently, cotton arrivals are improving in the North India. Daily 15000-16000 bales of fresh cotton are arriving in the country. However, concerns over rains damaging and delaying harvest in some parts of the country provided underline support to the cotton market. In addition, a Hindu religious period of mourning is scheduled to start from Thursday, when most of the traders will abstain from commercial transactions. Therefore the supplies and demand are anticipated to remain weak during this period. Demand and market arrivals are likely to pick up from Oct. 10 onwards. Market arrivals are likely to cross at least 45,000 bales after Oct. 10, according to market participants.

In the prices front, the outlook is not likely to bearish due to higher production because 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. Closing stocks, projected at 4.2 mln bales this year. Besides, Indian exporters have already contracted to export of roughly 1.5-2 mln bales of cotton for delivery in December and January. Nearly 50% of the export contracts are for cotton being harvested in Gujarat.

On Monday, Shankar-6 for Dec.-Jan. delivery quoted at Rs.19700-900/candy in Gujarat while Nov-Dec delivery offered at Rs.19200-400/candy in M.P. & Maharashtra. In Haryana, the forward bargains for Full September offered down at Rs.1875-85/maund and Full Oct at Rs.1840-1850/maund. In Punjab, it quoted weak at Rs.1880-1930/maund & Rs.1850-85/maund.

INTERNATIONAL MARKET:

ICE remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the cotton official rate stumbled while the cotton lint prices remained rangebound on Saturday in the Karachi market. The Karachi Cotton Association (KCA) official spot rate has declined by Rs 50/maund at Rs 2825/maund. Phutti (Seed cotton) prices in Punjab offered down at Rs 1325-1350/maund and at Rs 1425-1450/maund in Sindh.

FUTURES MARKETS:

MCX Kapas futures sharply declined and made new contract low in tandem with the spot market on Monday amidst strong selling pressure. Market sharply fell after mostly weak opening and settled slight up from contract low. Most active April-2008 contract slid Rs.5.50 at Rs.410.40 after mostly weak opening at Rs.414.50 and traded in the range of Rs.409.10-414.50. Besides, NCDEX Most active April 2008 contract opened mostly down at Rs.415.90 and lost Rs.4.20 at Rs.415 and traded within Rs.412.70-416.90.

PRICE DRIVERS:

1. Higher production estimates; Weak dollar against rupee
2. Higher arrivals of cotton; Hindu religious period of mourning
3. Weak demand from exporters

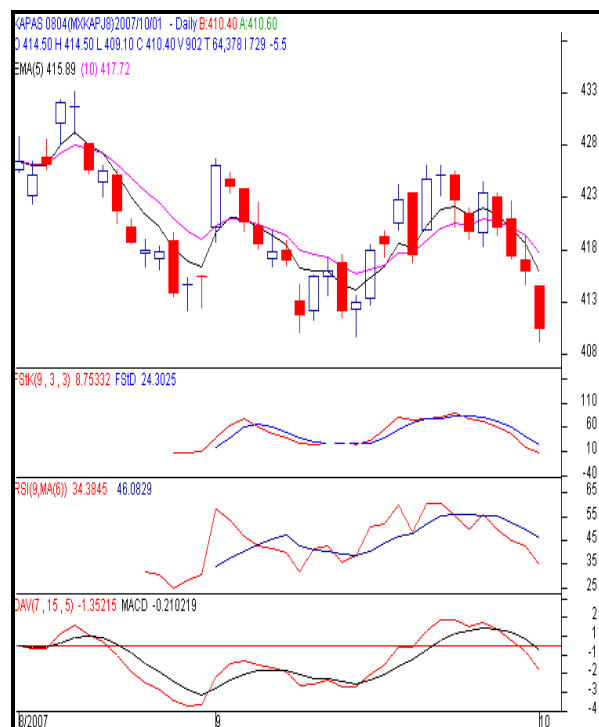
WEATHER:

Conditions are favourable for further withdrawal of Southwest Monsoon from more parts of northwest India, Rajasthan, some parts of northwest M.P. and North Gujarat during next 2-3 days.

TECHNICALS: MCX Kapas APRIL Contract-2008

Candlestick pattern hints bearish trend of the market. Prices closed below short term EMAs, indicates downward market as short term. MACD entered in the positive zone & moving down. Stochastic and RSI hints weak market. Volume as well as open interest significantly increased, supports market's trend. Kapas is to be trade soft after weak 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	407	404	410.4	412	415

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.411.5 with target towards Rs.407.5 and then Rs.404.5. Put stop loss strictly above Rs.414.5. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	412	409	415	418	421

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.417 with target towards Rs.412.5 and then Rs.410. Put stop loss strictly above Rs.420.5. Do not carry forward the position for the next trading day.

COMMODITIES RESEARCH

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	01.10.07	29.09.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1875	1895	-20.00
Muktsar-Punjab	J-34	Rs./Maund	1935	1945	-10.00
Abohar- Punjab	J-34	Rs./Maund	1925	1935	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1825	1840	-15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20800-21100	20800-21100	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15400-16200	15400-16200	-
Maharashtra	Mech-I-29mm	Rs./Candy	-	-	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	-	-	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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