

# COTTON

Agriwatch  
DAILY

## COTTON

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### SPOT MARKETS:

Cotton prices in the domestic markets witnessed an upward trend amidst sluggish processing of raw cotton by mills on growing demand from international buyers. 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 Thursday, Shankar-6 for Nov-Dec. delivery increased to Rs.19800-900/candy in Gujarat while Nov-Dec delivery offered up at Rs.18900-200/candy in M.P. & Maharashtra. In Haryana, J-34 cotton registered up at Rs.1820-1875/maund while in Punjab, it quoted up at Rs.1875-1920/maund respectively. In the country, arrivals are reported to be at 1,10,000 bales. Northern Zone contributed 33000 bales while Gujarat's share was 25000 bales.

### INTERNATIONAL MARKET:

ICE cotton futures cotton futures sharply declined on Wednesday. December futures lost 144 points at 63.82 cents/pound and traded in the range of 63.75-65.05 cents. Cotlook Cotton Indexes moved up on Wednesday. Therefore North Europe A Index (2007-08 Crop) was up 30 points at 71.75 cents/pound while North Europe B Index (2007-08 Crop) gained 30 points at 69.40 cents/pound. Far Eastern A Index (2007-08 Crop) rose 30 points at 70.05 cents/pound. In Pakistan, KCA official spot rate was inert at Rs 2875/maund.

### FUTURES MARKETS:

MCX Kapas futures settled marginally down on Thursday amidst selling pressure at upper level. Market went up after strong opening but slid thereafter and failed to breach the present high level. Most active April-2008 contract lost Rs.0.90 at Rs.435.40 after strong opening at Rs.438.30 and traded within Rs.433-438.60. NCDEX Most active April 2008 contract opened up at Rs.441 and lost Rs.1.80 at Rs.439 and traded within Rs.438.70-443.

### 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 exhibits downward market for the next trading day. Prices closed above short term EMAs, indicates slight bullish market as short term. MACD prevails in the positive zone. Stochastic and RSI indicates slight strong market. Volume as well as open interest significantly increased, supports the present market's trend. Kapas is to be trade weak after lower 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	431	428	435.4	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	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	25.10.07	24.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1860	1855	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1910	1900	+10.00
Abohar- Punjab	J-34	Rs./Maund	1880	1875	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1790	1780	+10.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19800-900	19700-900	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15200-600	15200-600	-

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