

COTTON

Agriwatch
DAILY

COTTON

OCT 24, 2007

SPOT MARKETS:

Cotton prices rallied on Tuesday 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 inquiries 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 Tuesday, Shankar-6 for Nov-Dec. delivery traded up at Rs.19600-800/candy in Gujarat while Nov-Dec delivery offered mostly up at Rs.19000/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded up at Rs.1820-1850/maund while in Punjab, it offered up at Rs.1850-1895/maund respectively. In the country, arrivals are reported to be at 1,00,000 bales. Northern Zone contributed 31000 bales while Gujarat's share was 25000 bales.

INTERNATIONAL MARKET:

ICE cotton slipped on Monday. December cotton contract slid 53 points at 64.87 cents/pound and traded in the range of 64.10-65.15 cents. Cotlook Cotton Indexes increased. North Europe A Index (2007-08 Crop) was up 25 points at 71.75 cents/pound while North Europe B Index (2007-08 Crop) gained 25 points at 69.40 cents/pound. Far Eastern A Index (2007-08 Crop) added 25 points at 70.05 cents/pound. In Pakistan, KCA official spot rate has increased by Rs 25/maund to Rs 2850/maund.

FUTURES MARKETS:

MCX Kapas futures moved up on Tuesday amidst fresh buying on strong spot prices. Market hovered up after mostly strong opening but settled below from the session's high. Most active April-2008 contract climbed Rs.6.30 at Rs.433.80 after strong gap opening at Rs.430.90 and traded within Rs.430.90-435.20. NCDEX Most active April 2008 contract opened mostly up at Rs.436.20 and gained Rs.5.90 at Rs.439.20 and traded within Rs.436.20-440.30.

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 strong 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 strong market. Volume as well as open interest significantly increased, supports the market's trend. Kapas is to be trade strong 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	433.8	438	442

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.431 with target towards Rs.437 and then Rs.440. Put stop loss strictly below Rs.426. 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	439.2	443	446

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.437 with target towards Rs.442 and then Rs.445. Put stop loss strictly below Rs.433. Do not carry forward the position for the next trading day.

COMMODITIES RESEARCH



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	23.10.07	22.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1840	1840	-
Muktsar-Punjab	J-34	Rs./Maund	1885	1880	+5.00
Abohar- Punjab	J-34	Rs./Maund	1860	1845	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1775	1775	-
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19600-19800	19400-19600	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15000-15500	14800-15300	+200.00

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2007 Indian Agribusiness Systems Pvt Ltd.