

COTTON

OCT 05, 2007

SPOT MARKETS:

Downward sentiment observed in the Indian cotton market during Thursday's trading amidst strong arrivals of new cotton crop and sluggish demand from domestic millers and exporters. Traders are expected that the prices to go down further as arrival pace picks up in the coming weeks. They reported that around 20000-25000 bales of cotton arrived daily in the domestic markets this week. In addition, a Hindu religious period of mourning has started 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. Market arrivals are likely to cross 50,000 bales after Oct. 10 after the completion of a Hindu Mourning period. However, the Indian exporters have already contracted to export of around 1.5 million bales of cotton for delivery in December and January, according to trade sources. Nearly 50% of the export contracts are for cotton being harvested in Gujarat.

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.

On Thursday, 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 steady at Rs.1880-90/maund and Full Oct at Rs.1845-1860/maund. In Punjab, it quoted stable at Rs.1885-1935/maund & Rs.1855-90/maund.

INTERNATIONAL MARKET:

ICE cotton futures bounced back from session lows to close modestly higher Wednesday. Most-active December cotton rose 19 points at 63.43 cents/pound and traded at 62.15-63.77 cents. Cotlook Cotton Indexes slid. North Europe A Index (2007-08 Crop) slid 125 points at 70.15 cents/pound while North Europe B Index (2007-08 Crop) lost 125 points at 67.75 cents/pound. Far Eastern A Index (2007-08 Crop) slipped 155 points at 68.15 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2875/maund.

FUTURES MARKETS:

MCX Kapas futures moved up on Thursday amidst profit taking as the contract hits new contract low. Market hovered up after slight weak opening and settled near the session's high. Most active April-2008 contract rose Rs.2.50 at Rs.411.30 after weak opening at Rs.408.40 and traded in the range of Rs.407-411.40. Besides, NCDEX Most active April 2008 contract opened steady at Rs.412.40 and gained Rs.2.80 at Rs.415.20 and traded within Rs.411-415.70.

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 and mills

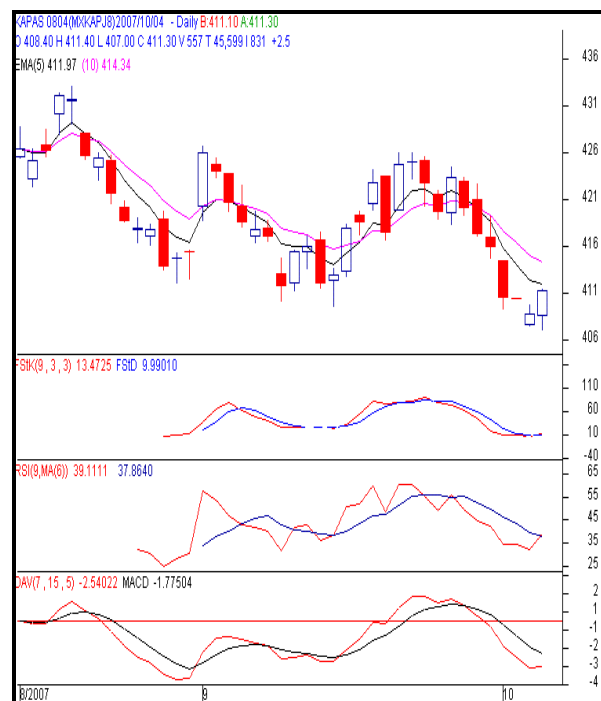
WEATHER:

North India cotton areas had experienced some thunderstorm activity last week, but it has turned drier the past couple days. Favorable moisture for the crop in south India is expected.

TECHNICALS: MCX Kapas APRIL Contract-2008

Candlestick charts shows upward market for the next trading day. Prices closed just below short term EMAs, indicates slight weak market as short term. MACD entered in the positive zone & moving down. Stochastic and RSI hints strong market. Volume as well as open interest significantly increased. Kapas is to be trade slight 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	407	404	411.3	415	418

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.414 with target towards Rs.410 and then Rs.408. Put stop loss strictly above Rs.417. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	411	407	415.2	418	421

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.417 with target towards Rs.412 and then Rs.410. Put stop loss strictly above Rs.421. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	04.10.07	03.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1880	1880	-
Muktsar-Punjab	J-34	Rs./Maund	1945	1940	+5.00
Abohar- Punjab	J-34	Rs./Maund	1935	1935	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1835	1830	+5.00
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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