

COTTON

OCT 12, 2007

SPOT MARKETS:

Domestic cotton prices increased on Thursday in the country despite robust arrivals of new crop due to improved demand from domestic millers and exporters. Daily arrivals are increasing day by day as the country is likely to reap a bumper crop of about 31 million bales. But, buyers are expected that prices to go down further as arrival pace picks up in the coming weeks. Around 80000-90000 bales of cotton arrived daily in the domestic markets this week, up from around 35,000 bales last week. Cotton arrivals are likely to cross 100,000 bales from Monday as the auspicious festival season starts. However, 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.

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 Thursday, Shankar-6 for Nov-Dec. delivery traded up at Rs.18900-19000/candy in Gujarat while Nov-Dec delivery offered up at Rs.18500-700/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded up at Rs.1740-1795/maund while in Punjab, it quoted up at Rs.1775-1820/maund respectively. In the country, arrivals are reported to be up at 85000 bales as compared to 80000 bales of last day. Northern Zone contributed 31000 bales while Gujarat's share was 35000 bales.

INTERNATIONAL MARKET:

ICE cotton futures soared Wednesday on speculative buying. December cotton futures soared 123 points at 64.21 cents/pound and hovered in the range of 63.15-64.25 cents. Cotlook Cotton Indexes increased. North Europe A Index (2007-08 Crop) rose 25 points at 69.85 cents/pound while North Europe B Index (2007-08 Crop) gained 25 points at 67.40 cents/pound. Far Eastern A Index (2007-08 Crop) added 25 points at 67.95 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2825/maund.

FUTURES MARKETS:

MCX Kapas futures climbed on Thursday amidst strong buying support for short covering. Market hovered up after steady opening and settled near the session's high. Most active April-2008 contract climbed Rs.5.40 at Rs.418.40 after steady opening at Rs.413 and hovered in the range of Rs.412.70-418.80. Besides, NCDEX Most active April 2008 contract opened slight down at Rs.417 over last close of Rs.417.10 and gained Rs.5 at Rs.422.10 and traded in the range of Rs.417-422.30.

PRICE DRIVERS:

1. Higher production estimates; Robust arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Passive exporter's and miller's 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 strong market for the next trading day. Prices closed above short term EMAs, hints steady to bullish market as short term. MACD moving up in the negative zone. Stochastic and RSI indicates bullish market. Volume significantly increased but open interest considerably decreased. Kapas is to be trade strong 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	416	413	418.4	422	426

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.417 with target towards Rs.421.5 and then Rs.424. Put stop loss strictly below Rs.413. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	419	415	422.1	426	429

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.420 with target towards Rs.425 and then Rs.428. Put stop loss strictly below Rs.416. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	11.10.07	10.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1785	1780	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1810	1820	-10.00
Abohar- Punjab	J-34	Rs./Maund	1790	1785	+5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1755	1745	+10.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19000-19200	18900-19000	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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