

COTTON

Agriwatch
DAILY

COTTON

OCT 10, 2007

SPOT MARKETS:

Cotton prices slight increased in North Indian markets on Tuesday amidst moderate buying against steady arrivals while the prices witnessed steady trend in Western markets. Actually, the exporters and millers are expecting that the prices to go down further as arrival pace picks up in the coming weeks. In addition, a Hindu religious period of mourning had started from Thursday, which will be ended on 10th October, when most of the traders will abstain from commercial transactions. Therefore the demand is anticipated to remain weak during this 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. Besides, cotton ginning factories in Gujarat have decided to charge pressing and packaging charges separately in their invoices.

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 Dec.-Jan. delivery traded steady at Rs.18800-19000/candy in Gujarat while Nov-Dec delivery offered at Rs.18300-500/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded up at Rs.1740-1785/maund while in Punjab, it registered up at Rs.1735-1835/maund respectively. In the country, arrivals are reported to be steady at 72000 bales as compared to last day. Northern Zone contributed 35000 bales. In Gujarat, daily arrivals reached more than 25,000 bales.

INTERNATIONAL MARKET:

ICE cotton futures tumbled Monday. December cotton slid 79 points at 62.43 cents/pound and traded in the range of 62.42-63.44 cents. Cotlook Cotton Indexes slid. North Europe A Index (2007-08 Crop) lost 5 points at 70.15 cents/pound while North Europe B Index (2007-08 Crop) shed 10 points at 67.75 cents/pound. Far Eastern A Index (2007-08 Crop) slid 10 points at 68.30 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2850/maund.

FUTURES MARKETS:

MCX Kapas futures settled up on Tuesday amidst profit booking due to technically oversold condition of the market. Market turned up after weak opening but set back from session's high. Most active April-2008 contract added Rs.3.10 at Rs.409.60 after weak opening at Rs.405.50 and traded in the range of Rs.405-410.30. Besides, NCDEX Most active April 2008 contract opened down at Rs.410 over last close of Rs.410.50 and gained Rs.3.20 at Rs.413.70 and traded within Rs.409.70-414.40.

PRICE DRIVERS:

1. Higher production estimates; Appreciation of rupee against dollar
2. Strong arrivals; Hindu religious period of mourning
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 improvement of the market for the next trading day. Prices closed in between short term EMAs, hints steady to weak market as short term. MACD moving down in the negative zone. Stochastic and RSI indicates strong market. Volume as well as open interest decreased. Kapas is to be trade up initially 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	403	409.6	413	416

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.412.5 with target towards Rs.407.5 and then Rs.405. 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	412	409	413.7	417	420

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.416 with target towards Rs.410 and then Rs.408. Put stop loss strictly above Rs.421. Do not carry forward the position for the next trading day.

COMMODITIES RESEARCH



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	09.10.07	08.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1785	1775	+10.00
Muktsar-Punjab	J-34	Rs./Maund	1835	1830	+5.00
Abohar- Punjab	J-34	Rs./Maund	1800	1800	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1755	1750	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19000-19300	19000-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-
Maharashtra	Mech-I-29mm	Rs./Candy	-	-	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	-	-	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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.