

COTTON

Agriwatch
DAILY

COTTON

OCT 23, 2007

SPOT MARKETS:

Cotton prices stumbled on Monday in the Northern and Western markets of the country amidst robust arrivals against the improved enquiries from the millers and exporters. But the prices remained steady in Gujarat on brisk demand. But, traders said that the prices are likely to come down because supplies are poised to increase. Majority of inquires 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.

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 Monday, Shankar-6 for Nov-Dec. delivery traded steady at Rs.19400-600/candy in Gujarat while Nov-Dec delivery offered down at Rs.18600-900/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded down at Rs.1815-1850/maund while in Punjab, it quoted weak at Rs.1835-1885/maund respectively. In the country, arrivals are reported to be strong at 1,10,000 bales. Northern Zone contributed 35000 bales while Gujarat's share was 35000 bales.

INTERNATIONAL MARKET:

ICE remained closed Saturday and Sunday for weekend holiday. In Pakistan, cotton prices witnessed a bullish trend in the Karachi market on Saturday in spite of the fact that the arrival figure is showing rosy picture about the crop production. KCA official spot rate remained unchanged at Rs 2825/maund. Phutti (seed cotton) prices offered up at Rs 1450-1475/maund in Sindh and while it remained steady in Punjab at Rs 1400-1450/maund. There were some market expectations that more of less, the total production of cotton may reach the last year target of 12.5 mln bales.

FUTURES MARKETS:

MCX Kapas futures tumbled on Monday amidst selling interest on weak spot market. Market went up after mostly weak opening but slid thereafter and settled up from the session's low. Most active April-2008 contract lost Rs.6.70 at Rs.428 after gap opening at Rs.428.40 and traded within Rs.426.40-431.90. NCDEX Most active April 2008 contract opened mostly down at Rs.434.20 and slid Rs.3 at Rs.434 and traded within Rs.431.40-438.

PRICE DRIVERS:

1. Higher production estimates; Strong arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Increasing demand from millers and exporters

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 indecisive market for the next trading day. Prices closed in between short term EMAs, hints steady to bearish market as short term. MACD prevails in the positive zone. Stochastic and RSI indicates bearish market. Volume as well as open interest significantly increased, supports the market's trend. Kapas is to be trade weak after weak 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	424	421	428	432	435

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.430 with target towards Rs.425 and then Rs.422. Put stop loss strictly above Rs.434. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	428	424	434	438	442

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.436 with target towards Rs.430 and then Rs.427. Put stop loss strictly above Rs.440. Do not carry forward the position for the next trading day.

COMMODITIES RESEARCH

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VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	22.10.07	20.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1840	1850	-10.00
Muktsar-Punjab	J-34	Rs./Maund	1880	1895	-15.00
Abohar- Punjab	J-34	Rs./Maund	1845	1865	-20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1775	1790	-15.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19400-19600	19400-19600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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