

## COTTON

OCT 15, 2007

## SPOT MARKETS:

Cotton prices remained steady to down on Saturday in the country amidst strong arrivals against the wake up of demand. However, USDA projection of India's exports to decline next season made a bearish sentiment in the market, traders quoted. 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. New crop arrivals during the first week of October have reached to 463,000 170-kilogram bales, calculated by the Cotton Corporation of India. This volume showed a 5.2% year-on-year increase from the last year. 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 Saturday, Shankar-6 for Nov-Dec. delivery traded steady at Rs.19000-200/candy in Gujarat while Nov-Dec delivery offered down at Rs.18300-600/candy in M.P. & Maharashtra. In Haryana, J-34 cotton prices traded stable at Rs.1750-1800/maund while in Punjab, it quoted slight up at Rs.1790-1835/maund respectively. In the country, arrivals are reported to be at 85000 bales as compared to 87000 bales of last day. Northern Zone contributed 31000 bales while Gujarat's share was 30000 bales.

## INTERNATIONAL MARKET:

ICE cotton futures rose Friday. December futures gained 14 points at 63.87 cents/pound and traded within 63.25-64.60 cents. Cotlook Cotton Indexes slipped. North Europe A Index (2007-08 Crop) lost 30 points at 70.10 cents/pound while North Europe B Index (2007-08 Crop) lost 35 points at 67.75 cents/pound. Far Eastern A Index (2007-08 Crop) slid 35 points at 68.25 cents/pound. In Karachi, KCA official spot rate was flat at Rs 2825/maund.

## FUTURES MARKETS:

MCX Kapas futures maintained present bullish trend on Saturday amidst strong fundamentals. Market hovered up after weak opening and settled near the session's high on increased buying. Most active April-2008 contract climbed Rs.5.90 at Rs.425.50 after weak opening at Rs.418.80 and hovered within Rs.418.30-426. Besides, NCDEX Most active April 2008 contract opened down at Rs.421.70 over last close of Rs.423.50 and gained Rs.5.10 at Rs.428.60 and traded within Rs.421.70-429.50.

## PRICE DRIVERS:

1. Higher production estimates; Robust arrivals
2. Cotton exporters faces competition due to rupee appreciation
3. Picking up 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 strong market for the next trading day. Prices closed above short term EMAs, hints bullish market as short term. MACD moving up in the negative zone. Stochastic and RSI indicates bullish market. Volume as well as open interest considerably decreased, did not supports the market trend. Kapas is to be trade 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	423	420	425.5	429	433

## TRADE RECOMMENDATION (INTRADAY)

**Sell MCX-APRIL-Kapas** below Rs.428 with target towards Rs.423.5 and then Rs.420. Put stop loss strictly above Rs.432. Do not carry forward the position for the next trading day.

## NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	426	422	428.6	433	436

## TRADE RECOMMENDATION (INTRADAY)

**Sell NCDEX-APRIL-Kapas** below Rs.432 with target towards Rs.427 and then Rs.425. Put stop loss strictly above Rs.436. Do not carry forward the position for the next trading day.



### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS:

Markets	Variety	Units	13.10.07	12.10.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1795	1790	+5.00
Muktsar-Punjab	J-34	Rs./Maund	1820	1820	-
Abohar- Punjab	J-34	Rs./Maund	1795	1795	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1770	1765	+5.00
Ahmedabad/Kadi - Gujarat	Shankar-6 Ready	Rs./Candy	19100-19300	19200-19400	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	14800-15300	14800-15300	-

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