

COTTON

DEC 26, 2007

SPOT MARKETS:

Cotton prices soared on Monday in the country except in Maharashtra amidst good demand from exporters and millers on weak supplies. At present, Pakistan, China, Bangladesh and other countries are favouring Indian cotton due to lower rate and good quality. Recently, Pakistan permitted the import of 5-lakh bales of cotton from India, which is the leading factor for prices rise. They reported that short-staple cotton has been allowed through land routes via the Wagah border. But, the demand from the textile mills are remaining weak as compared to last year due to rising rupee over US dollar and weak demand for yarns and other cotton made products, traders said. Besides, in Gujarat, the assembly election has negatively impacted in the market, which pulled down the arrivals. On the export front, around 2 million bales have already exported to date and have contracts for 2.5-2.6 mln bales, traders said. Cotton arrivals during the week of December 8-14 reached to 1.4 mln bales over 1.52 mln bales of last year same period.

CCI estimates that cotton production will be around 30 million bales this season over 27 million bales in 2005-06. Out of this, above 6.5 million bales are estimated to be export to China, Bangladesh, Pakistan, Indonesia and other countries. Local demand is estimated at close to 24 mln bales while closing stocks at 4.2 mln bales. USDA put world production at 118.76 mln bales in 2007-08, 0.60 mln bales lower than November due to lower crop in U.S, Pakistan and China.

On Monday, Shankar-6 28 mm delivery offered up at Rs.20000-200/candy in Gujarat. J-34 cotton traded mostly strong at Rs.1935-2020/maund in Haryana and Rs.2040-2085/maund in Punjab respectively. In the country, daily arrivals are reported to be up at 200,000 bales. Out of this, Maharashtra contributed 55000 bales while Gujarat's share was about 75000 bales.

INTERNATIONAL MARKET:

ICE futures remained closed on Saturday and Sunday for weekend holiday. In Pakistan, the trading volume has tumbled in the cotton market since last couple of days owing to approaching Eid-ul-Azha holidays, which is declared by the government from Thursday to Saturday (20th to 22nd of December 2007) followed by weekly holiday on Sunday. KCA has declined on Wednesday by Rs 25/maund at Rs 2975/maund.

FUTURES MARKETS:

MCX Kapas futures hovered up on Monday amidst strong buying by the speculators on firm spot market. However, market slid after mostly firm opening but soared thereafter and made new contract high and set back from the session's high. MCX Most active April contract climbed Rs.3.9 at Rs.461.9 after mostly firm opening at Rs.459 and hovered within Rs.457-462.8. NCDEX Most active April contract gained Rs.6.1 at Rs.481.3 after bullish opening at Rs.475.5 and soared within Rs.473.5-481.4.

PRICE DRIVERS:

1. Strong import demand from neighbouring countries
2. Bullish demand from exporters; Moderate demand from mills
3. Improved arrivals; Lower global cotton production in 2007-08

WEATHER:

Recent shower activity northwest India may be unfavorable, if there is still some harvesting left to do.

TECHNICALS: MCX Kapas APRIL Contract-2008

Candlestick chart hints sharply bullish market for the next trading day. Prices closed far above short term EMAs, indicates upward market as short term. MACD moving up in the positive zone. Stochastic as well as RSI indicates technical reversal due to mostly overbought condition of the market. Volume as well as open interest significantly increased, supports the market's trend. Kapas is to be trade bullish 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	457	452	461.9	465	470

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.458 with target towards Rs.464 and then Rs.467. Put stop loss strictly below Rs.453. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	475	470	481.3	485	490

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.478 with target towards Rs.484 and then Rs.487. Put stop loss strictly below Rs.473. Do not carry forward the position for the next trading day.

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VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	24.12.07	22.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1995	1965	+30.00
Muktsar-Punjab	J-34	Rs./Maund	2075	2050	+25.00
Abohar- Punjab	J-34	Rs./Maund	2030	2005	+25.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1875	1845	+30.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-200	19900-20100	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	17000-300	16800-17000	+200.00
Maharashtra	Mech-I-29 mm	Rs./Candy	19300-500	19500-800	-200.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19500-800	19700-20000	-200.00
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19300-500	19500-800	-200.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19500-800	19700-20000	-200.00

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