

COTTON

DEC 08, 2007

SPOT MARKETS:

Cotton prices declined on Friday in the Indian domestic market amidst slacken demand from the exporters and millers despite lower arrivals as compared to earlier. Exports demand are weak owing to some logistical constraints at the ports and a lull in demand from China, a major buyer, traders said. Demand from mills is weak due to rupee appreciation and sluggish demand of yarns, cloth and garments. Some spinning mills have reduced their consumption by 10%-15% amidst high prices of the raw material. The country is expected to harvest a bumper crop in this year and new crop arrivals are expected to sharply increase around mid-December. However, good export orders from China, Pakistan and Bangladesh could prevent a sharp fall. Trade sources said, Indian exporters have already contracted to export 10 lakh bales of cotton. Besides, around 8.2 million bales of cotton have been harvested to date, which is around 26% of the total estimated production.

CCI estimates that cotton production will be around 30 million bales this season over 28 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 119.36 mln bales in 2007-08, 900,000 bales lower than October due to lower crop in U.S, Pakistan and China.

On Friday, Shankar-6 28 mm delivery quoted weak at Rs.19500-700/candy in Gujarat. In Haryana, J-34 cotton offered down at Rs.1840-1940/maund and Rs.1965-2020/maund in Punjab respectively. In the country, arrivals are reported to be moderate at 195,000 bales. Maharashtra contributed around 55000 bales while Gujarat's share was about 80000 bales.

INTERNATIONAL MARKET:

ICE cotton futures soared on Thursday. March futures climbed 41 points at 63.78 cents/pound. Cotlook Cotton indexes were unchanged. North Europe A Index (2007-08 crop) was flat at 69.05 cents/pound. While North Europe B Index (2007-08 crop) was unlisted and Far Eastern A Index (2007-08 crop) was steady at 68.15 cents/pound. In Pakistan, KCA official spot rate was inert at Rs 3075/maund.

FUTURES MARKETS:

MCX Kapas futures settled at the overnight levels on Friday amidst profit booking. Market went up after firm opening but slid thereafter and closed up from the session's low. MCX Most active April contract was unchanged at Rs.439.9 after firm opening at Rs.440.2 and traded within the range of Rs.438.3-441.5. NCDEX Most active April contract slid Rs.1.3 at Rs.452.9 after mostly weak opening at Rs.451.6 and moved within Rs.451.6-456.8.

PRICE DRIVERS:

1. Expectation of fresh import demand from Pak, China & others
2. Weak demand from exporters; Lethargic demand from mills
3. Improved arrivals; Lower global cotton production in 2007-08

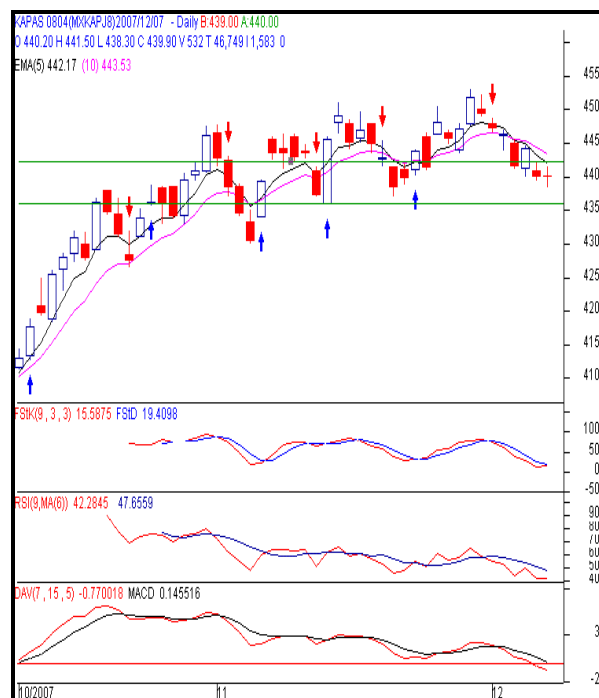
WEATHER:

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 hints indecisive market for the next trading day. Prices closed below short term EMAs, indicates steady to weak market as short term. MACD moving down from the positive zone. Stochastic as well as RSI favours bears. Volume as well as open interest considerably decreased, did not support the present market's trend. Kapas is to be trade slight up after weak 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	435	430	439.9	445	450

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.441 with target towards Rs.436 and then Rs.433. Put stop loss strictly above Rs.445. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	448	444	452.9	458	462

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.456 with target towards Rs.451 and then Rs.448. Put stop loss strictly above Rs.460. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	07.11.07	06.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1930	1940	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2020	2030	-10.00
Abohar- Punjab	J-34	Rs./Maund	1985	1995	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1825	1830	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19500-700	19600-700	-100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16200-800	16200-800	-
Maharashtra	Mech-I-29 mm	Rs./Candy	18900-100	19000-200	-100.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19400-600	19400-600	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	18900-100	19000-200	-100.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19400-600	19400-600	-

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