

COTTON

DEC 29, 2007

SPOT MARKETS:

Cotton prices remained steady to down in the country on Friday amidst slight lower demand from exporters and millers against the higher arrivals. 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. But, fresh shipments of Indian cotton to Pakistan may be delayed following turbulence after assassination of former Pakistani Prime Minister Benazir Bhutto. Besides, demand from the textile mills are observing sluggish as compared to last year due to rising rupee over US dollar and lethargic 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. India's cotton exports are likely to total around cotton 7 million bales in 2007-08, which is exceeding an earlier government estimate of around 6 million bales.

CCI estimates that cotton production will be around 30 million bales this season over 27 million bales in 2005-06. Out of this, above 7.0 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 Friday, Shankar-6 28 mm delivery offered steady at Rs.20000-200/candy in Gujarat. J-34 cotton traded down at Rs.1920-2010/maund in Haryana and Rs.2030-2070/maund in Punjab respectively. In the country, daily arrivals are reported to be up at 220,000 bales. Out of this, Maharashtra contributed 60000 bales while Gujarat's share was about 75000 bales.

INTERNATIONAL MARKET:

ICE cotton futures rallied on Thursday. March contract climbed 66 points at 67.78 cents/pound and hovered between 67.30-67.79 cents. Cotlook Cotton indexes were up on Thursday. North Europe A Index (2007-08 crop) was up by 25 points at 71.95 cents/pound. Far Eastern A Index (2007-08 crop) gained 25 points at 70.95 cents/pound. In Pakistan, KCA official spot rate was inert at Rs 3025/maund.

FUTURES MARKETS:

MCX Kapas futures hovered up on Friday on late buying support. Market declined after weak opening on short covering but moved up thereafter on late buying and closed at session's high. MCX Most active April contract climbed Rs.1.9 at Rs.462 after weak opening at Rs.459.7 and hovered within Rs.458.6-462. NCDEX Most active April contract gained Rs.2.2 at Rs.480.2 after lower opening at Rs.476.5 and moved within Rs.475.2-481.

PRICE DRIVERS:

1. Increasing import demand from neighbouring countries
2. Fabulous 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 strong market for the next trading day. Prices closed above short term EMAs, indicates bullish market as short term. MACD moving up in the positive zone. Stochastic as well as RSI indicates firmness. Volume as well as open interest declined, did not supports the market's trend. Kapas is to be trade firm after strong 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	458	452	462	465	470

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.459 with target towards Rs.464 and then Rs.468. Put stop loss strictly below Rs.454. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	477	472	480.2	484	488

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.478 with target towards Rs.483 and then Rs.486. Put stop loss strictly below Rs.474. 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	28.12.07	27.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1980	1990	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2060	2070	-10.00
Abohar- Punjab	J-34	Rs./Maund	2015	2020	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1860	1870	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-200	20000-200	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	17000-300	17000-300	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19300-500	19300-500	-
Maharashtra	Mech-I-30 mm	Rs./Candy	19500-800	19500-800	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19300-500	19300-500	-
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19500-800	19500-800	-

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