

# COTTON

**Agriwatch**  
DAILY

## COTTON

DEC 15, 2007

### SPOT MARKETS:

Domestic cotton prices increased further on Friday in the domestic market on improved demand from the exporters and millers despite higher arrivals. Pakistan permitted the import of 5-lakh bales of cotton from India to increase stocks as the current year's crop damaged due to poor weather and pest attacks. This is the leading factor for prices rise. They reported that short-staple cotton has been allowed through land routes via the Wagah border. In the meantime, the exporters continued to buy cotton to meet their overseas commitment mostly from Chinese and Pakistani buyers. Around 1.5 million bales have already exported to date and have contracts for 2.5-2.6 mln bales, traders said. But, the demand from mills is weak due to rupee appreciation and sluggish demand of yarns, cloth and garments. However, Indian exporters have already contracted to export of 10 lakh bales of cotton.

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 Friday, Shankar-6 28 mm delivery quoted up at Rs.19500-700/candy in Gujarat. In Haryana, J-34 cotton offered up at Rs.1850-1960/maund and it gained to Rs.1990-2055/maund in Punjab respectively. In the country, arrivals are reported to be strong at 190,000 bales. Maharashtra contributed around 55000 bales while Gujarat's share was about 75000 bales.

### INTERNATIONAL MARKET:

ICE cotton futures rebounded to down on Thursday. March contract slid 34 points at 64.91 cents/pound. Cotlook Cotton indexes rebounded to up. North Europe A Index (2007-08 crop) climbed by 90 points at 70.55 cents/pound. While North Europe B Index (2007-08 crop) was unlisted and Far Eastern A Index (2007-08 crop) gained 85 points at 69.60 cents/pound. In Pakistan, KCA official spot rate was inert at Rs 3000/maund.

### FUTURES MARKETS:

MCX Kapas futures continued to rise on Friday amidst strong buying support as Pak to export cotton from India. Market hovered up after firm opening but set back from the session's high. MCX Most active April contract climbed Rs.3 at Rs.448.9 after firm opening at Rs.447 and hovered within Rs.446.5-449.5. NCDEX Most active April contract gained Rs.5.5 at Rs.464.2 after strong opening at Rs.459.7 and moved within Rs.459.5-465.

### PRICE DRIVERS:

1. Pak to export 5 lakh bales of cotton from India
2. Fresh demand from exporters; Mild demand from mills
3. Lower 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 strong market for the next trading day. Prices closed far above short term EMAs, indicates bullish market as short term. MACD moving up from the negative zone. Stochastic as well as RSI favours bulls. Volume significantly decreased but open interest increased, did not support the present market's trend. Kapas is to be trade strong 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	447	442	448.9	453	457

### TRADE RECOMMENDATION (INTRADAY)

**Buy MCX-APRIL-Kapas** above Rs.447 with target towards Rs.452 and then Rs.455. Put stop loss strictly below Rs.443. Do not carry forward the position for the next trading day.

### NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	460	455	464.2	468	472

### TRADE RECOMMENDATION (INTRADAY)

**Buy NCDEX-APRIL-Kapas** above Rs.462 with target towards Rs.467 and then Rs.470. Put stop loss strictly below Rs.458. 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	14.12.07	13.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1940	1930	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2050	2040	+10.00
Abohar- Punjab	J-34	Rs./Maund	2005	1995	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1825	1820	+5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19500-700	19300-500	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16200-800	16200-800	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19200-400	19100-400	+100.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19800-20200	19800-20200	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19200-400	19100-400	+100.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19800-20200	19800-20200	-

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