

## COTTON

DEC 05, 2007

## SPOT MARKETS:

Cotton traded down on Tuesday amidst weak demand from the exporters as well as millers despite lower arrivals. Improved demand from the Southern cotton mills provided underline support to the Maharashtra market, traders quoted. The momentum of seeded cotton arrivals across the markets continued and steady enquiries for exports kept the raw cotton prices high making it difficult for the domestic industry. The lethargic off-take of yarn, cloth and garments had proved a dampener for the textile industry. 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.

In India, export is expected to witness a significant jump to over 6.5 mln bales in 2007-08 from 5.5 mln bales in 2006-07. Cotton production this year is expected to test over 30 million bales, up 2-3 mln bales from the year earlier. Local demand is estimated at close to 24 mln bales while closing stocks at 4.2 mln bales. This month's world cotton supply and demand forecasts show lower production and consumption, higher trade, and marginally lower ending stocks compared with last month. USDA put world production at 119.36 mln bales in 2007-08, 900,000 bales lower than October.

On Tuesday, Shankar-6 28 mm delivery quoted down at Rs.19700-800/candy in Gujarat. In Haryana, J-34 cotton offered down at Rs.1835-1925/maund and Rs.1960-2010/maund in Punjab respectively. In the country, arrivals are reported to be weak at 200,000 bales. Northern Zone contributed around 30000 bales while Gujarat's share was about 68000 bales.

## INTERNATIONAL MARKET:

ICE cotton futures traded bearish on Monday. March cotton contract slid 0.01 cent at 63.45 cents/pound. Cotlook Cotton indexes tumbled. North Europe A Index (2007-08 crop) lost 110 points at 69.05 cents/pound. While North Europe B Index (2007-08 crop) was unlisted and Far Eastern A Index (2007-08 crop) slid 120 points at 68.15 cents/pound. In Pakistan, KCA official spot rate was inert at Rs 3075/maund.

## FUTURES MARKETS:

MCX Kapas futures slipped on Tuesday amidst profit booking and selling interest on weak spot market. Market fell after weak opening and settled near the session's low. MCX Most active April contract lost Rs.4.6 at Rs.441.7 after weak opening at Rs.445 and traded within the range of Rs.441.2-445.5. NCDEX Most active April contract slid Rs.6.3 at Rs.457.5 and moved within Rs.456.5-465.

## PRICE DRIVERS:

1. Good import demand from Pak, China, Bangladesh & Turkey
2. Good demand from exporters; Lethargic demand from mills
3. Strong 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 exhibits weak market for the next trading day. Prices closed below short term EMAs, indicates steady to weak market as short term. MACD moving down in the positive zone. Stochastic as well as RSI favours bears. Volume and open interest considerably decreased, did not support the present market's trend. Kapas is to be trade weak after firm opening with possibility of some upward movement at the later session.

## MCX Kapas APRIL Contract-2008



## SUPPORT / RESISTANCES:

## MCX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	438	435	441.7	445	450

## TRADE RECOMMENDATION (INTRADAY)

**Sell** MCX-APRIL-Kapas below Rs.444 with target towards Rs.439 and then Rs.436. Put stop loss strictly above Rs.448. Do not carry forward the position for the next trading day.

## NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	453	448	457.5	460	465

## TRADE RECOMMENDATION (INTRADAY)

**Sell** NCDEX-APRIL-Kapas below Rs.459 with target towards Rs.454 and then Rs.451. Put stop loss strictly above Rs.463. Do not carry forward the position for the next trading day.



### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	04.12.07	03.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1920	1930	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2000	2000	-
Abohar- Punjab	J-34	Rs./Maund	1975	1990	-15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1825	1840	-15.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19700-800	19700-20000	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-400	15800-16400	+200.00
Maharashtra	Mech-I-29 mm	Rs./Candy	19100-300	19200-500	-100.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19400-600	19900-20200	-500.00
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19100-300	19200-500	-100.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19400-600	19900-20200	-500.00

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