

COTTON

DEC 28, 2007

SPOT MARKETS:

Cotton prices remained steady to slight up in the country on Thursday amidst good demand from exporters and millers. 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. India's cotton exports are expected 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 Wednesday, Shankar-6 28 mm delivery offered steady at Rs.20000-200/candy in Gujarat. J-34 cotton traded slight up at Rs.1930-2020/maund in Haryana and Rs.2040-2080/maund in Punjab respectively. In the country, daily arrivals are reported to be steady at 215,000 bales. Out of this, Maharashtra contributed 55000 bales while Gujarat's share was about 80000 bales.

INTERNATIONAL MARKET:

ICE cotton futures soared to monthly highs on Wednesday. March cotton futures climbed 54 points at 67.12 cents/pound and traded in the range of 66.45-67.14 cents. Cotlook Cotton indexes rose on Wednesday. North Europe A Index (2007-08 crop) was up by 40 points at 71.70 cents/pound. Far Eastern A Index (2007-08 crop) gained 40 points at 70.70 cents/pound. In Pakistan, KCA official spot rate has increased by Rs 50 at Rs 3025/maund.

FUTURES MARKETS:

MCX Kapas futures closed up on Thursday amidst short covering due to mostly overbought condition of the market. However, market slid after mostly firm opening, but settled up from the last closing price. MCX Most active April contract gained Rs.1.1 at Rs.459.6 after mostly firm opening at Rs.461 and hovered within Rs.458.2-461.2. NCDEX Most active April contract gained Rs.2.1 at Rs.477.5 after bullish opening at Rs.476.5 and moved within Rs.475-479.2.

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 slight weak market for the next trading day. Prices closed above short term EMAs, indicates strong market as short term. MACD moving down in the positive zone. Stochastic as well as RSI indicates technical weakness. Volume increased but open interest declined, did not supports the market's trend. Kapas is to be trade slight up 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	455	450	459.6	463	467

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.456 with target towards Rs.462 and then Rs.465. Put stop loss strictly below Rs.451. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	471	466	477.5	482	487

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.472 with target towards Rs.478 and then Rs.482. Put stop loss strictly below Rs.467. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	27.12.07	26.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1990	1985	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2070	2065	+5.00
Abohar- Punjab	J-34	Rs./Maund	2020	2020	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1870	1860	+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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