

COTTON

DEC 13, 2007

SPOT MARKETS:

Cotton prices remained mixed on Wednesday in the country. Prices were strong in North Indian and Western markets on weak arrivals while it declined in Gujarat on sluggish demand. 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 Wednesday, Shankar-6 28 mm delivery quoted down at Rs.19300-500/candy in Gujarat. In Haryana, J-34 cotton offered up at Rs.1845-1950/maund and Rs.1970-2035/maund in Punjab respectively. In the country, arrivals are reported to be weak at 175,000 bales. Maharashtra contributed around 55000 bales while Gujarat's share was about 80000 bales.

INTERNATIONAL MARKET:

ICE cotton futures slipped on Tuesday. March futures slid 57 points to close at 64.13 cents/pound. Cotlook Cotton indexes were increased on Tuesday. The North Europe A Index (2007-08 crop) was up by 5 points at 69.85 cents/pound. While North Europe B Index (2007-08 crop) was unlisted and Far Eastern A Index (2007-08 crop) gained 5 points at 69 cents/pound. In Pakistan, KCA official spot rate remained unchanged at Rs 2950/maund.

FUTURES MARKETS:

MCX Kapas futures traded rangebound with up on Wednesday amidst late buying support. Market declined after weak opening but recovered some losses at late hour. MCX Most active April contract gained Rs.0.50 at Rs.441.8 after weak opening at Rs.440.5 and traded within the range of Rs.439.2-442.1. NCDEX Most active April contract lost Rs.0.5 at Rs.455 after weak opening at Rs.454 and moved within Rs.451.6-455.3.

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 upward market for the next trading day. Prices closed in between short term EMAs, indicates steady to firm market as short term. MACD moving down and entered in the negative zone. Stochastic as well as RSI favours bulls. Volume as well as open interest increased, support the present market's trend. Kapas is to be trade rangebound with 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	437	432	441.8	445	450

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.438 with target towards Rs.442 and then Rs.446. Put stop loss strictly below Rs.435. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	450	445	455	458	462

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.452 with target towards Rs.456 and then Rs.458. Put stop loss strictly below Rs.449. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	12.12.07	11.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1930	1930	-
Muktsar-Punjab	J-34	Rs./Maund	2030	2015	+15.00
Abohar- Punjab	J-34	Rs./Maund	1985	1985	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1820	1825	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19300-500	19500-700	-200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16200-800	16200-800	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19000-300	18800-19000	+200.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19800-20200	19300-500	+500.00
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19000-300	18800-19100	+200.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19800-20200	19300-500	+500.00

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2007 Indian Agribusiness Systems Pvt Ltd.