

## COTTON

DEC 12, 2007

## SPOT MARKETS:

Cotton prices were restricted on Tuesday in the Indian domestic market amidst improved demand from the exporters and millers against the lower arrivals as compared to earlier. 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 Tuesday, Shankar-6 28 mm delivery quoted steady at Rs.19500-700/candy in Gujarat. In Haryana, J-34 cotton offered stable at Rs.1840-1940/maund and Rs.1960-2020/maund in Punjab respectively. In the country, arrivals are reported to be steady at 190,000 bales. Maharashtra contributed around 60000 bales while Gujarat's share was about 80000 bales.

## INTERNATIONAL MARKET:

In Pakistan, spot rate continued slide in the cotton market on Monday. A number of mills were busy in opening Letters of Credit (LCs) to import lint from India. The Karachi Cotton Association (KCA) official spot rate followed its weekend track, falling by another Rs 50 to Rs 2950/maund.

## FUTURES MARKETS:

MCX Kapas futures traded rangebound in thin volume of trading on Tuesday amidst lack of buying at upper level. Market remained within the thin range after strong opening. MCX Most active April contract gained Rs.0.50 at Rs.441.3 after firm opening at Rs.441.3 and traded within the range of Rs.439.7-441.5. NCDEX Most active April contract lost Rs.0.4 at Rs.455.2 after weak opening at Rs.455.4 and moved within Rs.454.4-456.2.

## 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 indecisive market for the next trading day. Prices closed below short term EMAs, indicates steady to weak market as short term. MACD moving down from the positive zone. Stochastic as well as RSI favours bears. Volume significantly declined but open interest increased, did not 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	441.3	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	448	444	455.2	457	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	11.12.07	10.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1930	1930	-
Muktsar-Punjab	J-34	Rs./Maund	2015	2015	-
Abohar- Punjab	J-34	Rs./Maund	1985	1985	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1825	1825	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19500-700	19500-700	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16200-800	16200-800	-
Maharashtra	Mech-I-29 mm	Rs./Candy	18800-19000	18800-19000	-
Maharashtra	Mech-I-30 mm	Rs./Candy	19300-500	19300-500	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	18800-19100	18800-19100	-
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19300-500	19300-500	-

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