

## COTTON

DEC 14, 2007

## SPOT MARKETS:

Domestic cotton prices remained up on Thursday in Maharashtra, M.P. and Punjab owing to a slight slowdown in arrivals amid improved demand from exporters. 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. They reported that short-staple cotton has been allowed through land routes via the Wagah border. However the prices were stable in Gujarat and Haryana on stable demand supply. 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 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 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 Thursday, Shankar-6 28 mm delivery quoted steady at Rs.19300-500/candy in Gujarat. In Haryana, J-34 cotton offered at Rs.1845-1950/maund but it gained to Rs.1980-2045/maund in Punjab respectively. In the country, arrivals are reported to be weak at 170,000 bales. Maharashtra contributed around 50000 bales while Gujarat's share was about 65000 bales.

## INTERNATIONAL MARKET:

ICE cotton futures were sharply increased on Wednesday. March contract climbed 112 points at 65.25 cents/pound. Cotlook Cotton indexes were declined. North Europe A Index (2007-08 crop) declined by 20 points at 69.65 cents/pound. While North Europe B Index (2007-08 crop) was unlisted and Far Eastern A Index (2007-08 crop) lost 25 points at 68.75 cents/pound. In Pakistan, KCA official spot rate increased by Rs 50/maund to Rs 3000/maund.

## FUTURES MARKETS:

MCX Kapas futures soared on Thursday amidst strong buying support as Pak to export cotton from India. Market hovered up after firm opening and settled at the session's high. MCX Most active April contract climbed Rs.4.6 at Rs.446.5 after firm opening at Rs.442.4 and hovered within Rs.442.4-446.5. NCDEX Most active April contract gained Rs.4.3 at Rs.459.3 after strong opening at Rs.456.5 and moved within Rs.456.3-459.4.

## 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 bullish market for the next trading day. Prices closed above short term EMAs, indicates firm market as short term. MACD moving up in the negative zone. Stochastic as well as RSI favours bulls. Volume as well as open interest significantly increased, support the present market's trend. Kapas is to be trade bullish 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	444	440	446.5	449	452

## TRADE RECOMMENDATION (INTRADAY)

**Buy MCX-APRIL-Kapas** above Rs.445 with target towards Rs.449 and then Rs.451. Put stop loss strictly below Rs.442. Do not carry forward the position for the next trading day.

## NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	456	451	459.3	463	467

## TRADE RECOMMENDATION (INTRADAY)

**Buy NCDEX-APRIL-Kapas** above Rs.457 with target towards Rs.462 and then Rs.465. Put stop loss strictly below Rs.453. Do not carry forward the position for the next trading day.



### VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	13.12.07	12.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1930	1930	-
Muktsar-Punjab	J-34	Rs./Maund	2040	2030	+10.00
Abohar- Punjab	J-34	Rs./Maund	1995	1985	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1820	1820	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19300-500	19300-500	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16200-800	16200-800	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19100-400	19000-300	+100.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19800-20200	19700-20100	+100.00
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19100-400	19000-300	+100.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19800-20200	19700-20100	+100.00

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