

## COTTON

DEC 21, 2007

## SPOT MARKETS:

Cotton prices got restricted on Thursday amidst strong fundamentals in the Western markets amidst good demand from exporters and millers on weak supplies. It was traded also steady in North Indian markets on steady demand. 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.

CCI estimates that cotton production will be around 30 million bales this season over 27 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.19700-900/candy in Gujarat. J-34 cotton traded almost steady at Rs.1885-1970/maund in Haryana and Rs.1965-2040/maund in Punjab respectively. In the country, the total arrivals are reported to be slight down at 200,000 bales. Out of this, Maharashtra contributed around 50000 bales while Gujarat's share was about 65000 bales.

## INTERNATIONAL MARKET:

ICE cotton futures climbed to monthly highs on Wednesday. March contract climbed 55 points at 66.27 cents/pound and traded in the range of 66.05-66.45 cents. Cotlook Cotton indexes were unchanged. North Europe A Index (2007-08 crop) was inert at 70.90 cents/pound. Far Eastern A Index (2007-08 crop) was steady at 69.90 cents/pound. In Pakistan, KCA official spot rate decreased Rs.25/maund at Rs 2975/maund.

## FUTURES MARKETS:

MCX Kapas futures closed up on Thursday amidst moderate buying support on firm spot market. However, market opened mostly firm and made a new contract high but slid thereafter and finally closed slight up from session's low. MCX Most active April contract gained Rs.1 at Rs.455 after mostly firm opening at Rs.456 and traded within Rs.454.4-456.2. NCDEX Most active April contract added Rs.1.5 at Rs.470.8 after bullish opening at Rs.471 and moved within Rs.470.1-472.5.

## PRICE DRIVERS:

1. Strong import demand from neighbouring countries
2. Bullish demand from exporters; Moderate demand from mills
3. Strong 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 weak market for the next trading day. Prices closed far above short term EMAs, indicates upward market as short term. MACD moving up in the positive zone. Stochastic as well as RSI favours bulls, but technical reversal near due to mostly overbought condition of the market. Volume as well as open interest declined, did not support the market's trend. Kapas is to be trade 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	445	440	455	457	462

## TRADE RECOMMENDATION (INTRADAY)

**Buy MCX-APRIL-Kapas** above Rs.452 with target towards Rs.456 and then Rs.459. Put stop loss strictly below Rs.449. Do not carry forward the position for the next trading day.

## NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	467	463	470.8	475	478

## TRADE RECOMMENDATION (INTRADAY)

**Buy NCDEX-APRIL-Kapas** above Rs.468 with target towards Rs.474 and then Rs.476. Put stop loss strictly below Rs.463. Do not carry forward the position for the next trading day.

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## VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	20.12.07	19.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1945	1945	-
Muktsar-Punjab	J-34	Rs./Maund	2030	2030	-
Abohar- Punjab	J-34	Rs./Maund	1990	1990	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1825	1825	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19700-900	19700-900	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16700-17000	16700-17000	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19300-400	19300-400	-
Maharashtra	Mech-I-30 mm	Rs./Candy	19500-800	19500-800	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19300-400	19300-400	-
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19500-700	19500-700	-

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