

COTTON

DEC 04, 2007

SPOT MARKETS:

Market sentiment for cotton prices continued to weak in North Indian markets on Monday while it was almost steady in western markets despite higher arrivals. Improved demand from the Southern cotton mills provided underline support, traders quoted. The momentum of seeded cotton arrivals across the markets continued and steady enquiries for exports of kept the raw cotton prices high making it difficult for the domestic industry. The lethargic off-take of yarn, cloth and garments had proved a dampener for the textile industry. 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.

In India, export is expected to witness a significant jump to over 6.5 mln bales in 2007-08 from 5.5 mln bales in 2006-07. Cotton production this year is expected to test over 30 million bales, up 2-3 mln bales from the year earlier. Local demand is estimated at close to 24 mln bales while closing stocks at 4.2 mln bales. This month's world cotton supply and demand forecasts show lower production and consumption, higher trade, and marginally lower ending stocks compared with last month. USDA put world production at 119.36 mln bales in 2007-08, 900,000 bales lower than October.

On Monday, Shankar-6 28 mm delivery quoted steady at Rs.19700-20000/candy in Gujarat. In Haryana, J-34 cotton offered down at Rs.1855-1940/maund and in Punjab, it quoted weak at Rs.1975-2010/maund respectively. In the country, arrivals are reported to be strong at 225,000 bales. Northern Zone contributed around 40000 bales while Gujarat's share was about 85000 bales.

INTERNATIONAL MARKET:

ICE remained closed on Saturday and Sunday for weekend holiday. In Pakistan, steady undertone was observed on Saturday in the cotton market but the activity was thin as against of last trading day. KCA official spot rate was inert at Rs 3075/maund. In ready business, the deals were stuck between Rs 3075-3200/maund. Phutti prices were same in both Punjab and Sindh at Rs 1460-1510/maund.

FUTURES MARKETS:

MCX Kapas futures closed down on Monday amidst short covering and early selling pressure. However, market fell after weak opening but bounced back to up and set back from session's high. MCX Most active April contract lost Rs.1.1 at Rs.446 after weak opening at Rs.446 and traded within the range of Rs.443.8-447. NCDEX Most active April contract slid Rs.2 at Rs.463.4 and moved within Rs.461.3-465.2.

PRICE DRIVERS:

1. Good import demand from Pak, China, Bangladesh & Turkey
2. Good demand from exporters; Lethargic demand from mills
3. Strong 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 shows indecisive market for the next trading day. Prices closed just below short term EMAs, indicates steady market as short term. MACD moving down in the positive zone. Stochastic as well as RSI favours bears. Volume and open interest considerably increased, support the present market's trend. Kapas is to be trade 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	442	438	446	450	455

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.444 with target towards Rs.450 and then Rs.454. Put stop loss strictly below Rs.439. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	461	455	463.4	467	472

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.461 with target towards Rs.466 and then Rs.469. Put stop loss strictly below Rs.457. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	03.12.07	01.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1930	1940	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2000	2015	-15.00
Abohar- Punjab	J-34	Rs./Maund	1990	2000	-10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1840	1845	-5.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19700-20000	19700-20000	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15800-16400	15800-16400	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19200-500	19200-500	-
Maharashtra	Mech-I-30 mm	Rs./Candy	19900-20200	19900-20200	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19200-500	19200-500	-
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19900-20200	19900-20200	-

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