

COTTON

DEC 17, 2007

SPOT MARKETS:

Domestic cotton prices remained almost steady to slight up on Saturday in the domestic market on improved demand from the exporters and millers against steady arrivals. 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. This is the leading factor for prices rise. They reported that short-staple cotton has been allowed through land routes via the Wagah border. 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 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 Saturday, Shankar-6 28 mm delivery quoted at Rs.19500-700/candy in Gujarat. In Haryana, J-34 cotton offered stable at Rs.1850-1960/maund and it was inert at Rs.1990-2055/maund in Punjab respectively. In the country, arrivals are reported to be slight down at 185,000 bales. Maharashtra contributed around 55000 bales while Gujarat's share was about 65000 bales.

INTERNATIONAL MARKET:

ICE cotton futures rallied sharply higher on Friday. March futures climbed 94 points at 65.85 cents/pound and traded in the range of 64.62-65.90 cents. Cotlook Cotton indexes slid on Friday. The North Europe A Index (2007-08 crop) slipped by 15 points at 70.40 cents/pound. While North Europe B Index (2007-08 crop) was unlisted and Far Eastern A Index (2007-08 crop) lost 20 points at 69.40 cents/pound. In Pakistan, KCA official spot rate was inert at Rs 3000/maund.

FUTURES MARKETS:

MCX Kapas futures maintained bullish trend on Saturday amidst strong buying as Pak to export cotton from India, coupled with moderate short covering. Market hovered up after firm opening but set back from the session's high. MCX Most active April contract climbed Rs.3.6 at Rs.452.5 after firm opening at Rs.449.9 and hovered within Rs.449.9-453.4. NCDEX Most active April contract gained Rs.2.5 at Rs.466.8 after strong opening at Rs.466 and moved within Rs.465.3-468.5.

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 far above short term EMAs, indicates strong market as short term. MACD moving up and entered in the negative zone. Stochastic as well as RSI favours bulls, but technical reversal near due to mostly over bought condition of the market. Volume significantly increased but open interest considerably declined, did not support the present market's trend. Kapas is to be trade slight up 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	447	442	452.5	455	460

TRADE RECOMMENDATION (INTRADAY)

Sell MCX-APRIL-Kapas below Rs.454 with target towards Rs.448 and then Rs.445. Put stop loss strictly above Rs.458. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	462	458	466.8	469	472

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.468.5 with target towards Rs.463 and then Rs.460. Put stop loss strictly above Rs.472. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	15.12.07	14.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1945	1940	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2050	2050	-
Abohar- Punjab	J-34	Rs./Maund	2005	2005	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1835	1825	+10.00
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	19200-400	19200-400	-
Maharashtra	Mech-I-30 mm	Rs./Candy	19800-20200	19800-20200	-
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19200-400	19200-400	-
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19800-20200	19800-20200	-

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