

COTTON

DEC 24, 2007

SPOT MARKETS:

Cotton prices continued to increase on Saturday in the country amidst good demand from exporters and millers on weak supplies. 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. Cotton arrivals during the week of December 8-14 reached to 1.4 mln bales over 1.52 mln bales of last year same period.

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 up at Rs.19900-20100/candy in Gujarat. J-34 cotton traded up at Rs.1900-2000/maund in Haryana and Rs.1985-2065/maund in Punjab respectively. In the country, daily arrivals are reported to be down at 180,000 bales. Out of this, Maharashtra contributed around 45000 bales while Gujarat's share was about 55000 bales.

INTERNATIONAL MARKET:

ICE cotton futures closed moderately up on Friday. March futures gained 41 points at 66.58 cents/pound and traded in the range of 66.10-66.65 cents. Cotlook Cotton indexes were unchanged on Friday. North Europe A Index (2007-08 crop) was steady at 71.30 cents/pound. Far Eastern A Index (2007-08 crop) was inert at 70.30 cents/pound. In Pakistan, market remained closed for Eid festivals.

FUTURES MARKETS:

MCX Kapas futures closed slight up on Saturday amidst early buying support on firm spot market. However, market slid after mostly firm opening but gained thereafter and made new contract high and finally closed near the session's low. MCX Most active April contract gained Rs.0.4 at Rs.458 after mostly firm opening at Rs.459.3 and traded within Rs.457.8-459.9. NCDEX Most active April contract lost Rs.0.2 at Rs.474.9 after bullish opening at Rs.476.6 and moved within Rs.474.5-478.8.

PRICE DRIVERS:

1. Strong import demand from neighbouring countries
2. Bullish demand from exporters; Moderate demand from mills
3. Weak 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 exhibits weak market for the next trading day. Prices closed far above short term EMAs, indicates bullish market as short term. MACD moving up in the positive zone. Stochastic as well as RSI indicates technical reversal due to mostly overbought condition of the market. Volume as well as open interest significantly increased, supports the market's trend. Kapas is to be trade slight down after weak opening with possibility of some upward movement at the later session.

MCX Kapas APRIL Contract-2008



SUPPORT / RESISTANCES:

MCX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	452	448	458	462	465

TRADE RECOMMENDATION (INTRADAY)

Buy MCX-APRIL-Kapas above Rs.453 with target towards Rs.459 and then Rs.462. Put stop loss strictly below Rs.448. Do not carry forward the position for the next trading day.

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	470	465	474.9	480	485

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.471 with target towards Rs.477 and then Rs.482. Put stop loss strictly below Rs.465. Do not carry forward the position for the next trading day.



VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	22.12.07	21.12.07	Change (Rs.)
Sirsa- Haryana	J-34	Rs./Maund	1965	1955	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2050	2040	+10.00
Abohar- Punjab	J-34	Rs./Maund	2005	1995	+10.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1845	1835	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19900-20100	19800-20000	+100.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16800-17000	16800-17000	-
Maharashtra	Mech-I-29 mm	Rs./Candy	19500-800	19400-600	+100.00
Maharashtra	Mech-I-30 mm	Rs./Candy	19700-20000	19600-900	+100.00
Madhya Pradesh	Mech-I-29 mm	Rs./Candy	19500-800	19400-600	+100.00
Madhya Pradesh	Mech-I-30 mm	Rs./Candy	19700-20000	19600-900	+100.00

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