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# COTTON STATISTICS & NEWS

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## Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures  
for the Period 2<sup>nd</sup> April 2024 to 6<sup>th</sup> May 2024

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*His columns in The Hindu Business Line have won accolades in the international markets. He also writes a fortnightly column on a blog site for The Economic Times on Global commodities and Forex markets. He*

### EXPERT'S Column



**Shri. Gnanasekar Thiagarajan**  
Director, Commtrendz Research

*is a part an elite team of experts for moneycontrol.com in providing market insights. He was awarded "The Best Market Analyst", for the category-Commodity markets- Bullion, by then President of India, Mr. Pranab Mukherji.*

*He is a consultant and advisory board member for leading corporates and commodity exchanges in India and overseas. He is regularly invited by television channels including CNBC and ET NOW and Newswires like Reuters and Bloomberg, to opine on the commodity and forex markets. He has conducted training sessions for markets participants at BSE, NSE, MCX and IIM Bangalore and conducted many internal workshops for corporates exposed to commodity price risk. He has also done several training sessions for investors all over the country and is also a regular speaker at various conferences in India and abroad.*

### Domestic Markets

• The domestic cotton prices showed a positive tone. There was higher demand from spinning mills and other buyer segments, noted amid decreasing arrivals due to the end of the season. Market is also expected to see better demand due to the ease in concerns regarding the new payment rule in the new fiscal.

• As per CAI data, daily arrivals on Mar 30 were at 53,800 bales and cumulative arrivals were at 247.94 lakh bales.

• The cotton yarn markets are expected to see an improvement in demand in the coming weeks, as the beginning of the new fiscal 2024-25 has alleviated concerns within the textile value

chain regarding the new payment rule. However, prices are likely to remain range-bound due to limited off-season demand, which is expected to continue for the next couple of weeks.

## International Markets

- ICE cotton futures climbed higher on Monday, buoyed by support from firmer oil prices and reports that showed lower-than-expected U.S. planting estimates. Oil prices stayed near five-month highs as markets expected tighter supply. Higher oil prices make cotton-substitute polyester more expensive.
- The U.S. Department of Agriculture's (USDA) planting report said U.S. cotton planted area for 2024 is estimated at 10.7 million acres, below trade estimates of 10.9 million acres. However, the 2024 estimate was up 4% from last year. The report added that compared with last year, acreage increases are expected in most cotton-estimating States, except Georgia, Kansas, New Mexico, Texas and Virginia. Texas and Georgia, the largest cotton-producing States, are both expecting a 1% decrease in area planted to all cotton. NASS reported cotton planting was 3% nationally with AZ at 6% and TX as 5%. The 5-yr average pace would be 4% planted as of 3/31.
- The competitive edge the U.S. has enjoyed for many years is being chipped away, as Brazil and Australia now also provide machine-picked non-contamination cotton, modernised bale production, and quality assurance to the market. Two years of drought-reduced production has left the U.S. with roughly 2.8 million bales in ending stocks. But with plenty of cotton stocks in the rest of the world, the U.S. currently runs the risk of being priced out of the market as other countries are able to manage prices to help reduce oversupply. Declining world consumption, trade restrictions and increased competition from manmade fibres also complicate the mix.
- The CFTC Commitment of Traders report (CoT) data for week to Mar 23 cut net long position by 5,301 contracts to 58,373 in week to March 26, indicating that funds have been exiting longs and mill fixation which is almost 4 million bales still continues to support prices around 90c zone. So, the mills are likely to keep buying on all dips to fulfil on-call commitments while funds are expected to book profits on the longs that they have built so far.

## Shankar 6 GUJ ICS Price Trend

As expected, prices pulled back higher but way higher than expected. Support from international prices is underpinning sentiment. A double bottom formation is seen at 15,000 levels leading to a broad rebound. Strong resistance is seen around 17,000-17,500 levels now. Only an unexpected decline below 57,000 per candy could see more falls to 54,000-55,000 levels.



**MCX Cotton Candy Apr:** The price came off from resistances around 63,800-64,000. As mentioned in the previous update, structure suggests that dips, if any, could be held above 60,500 or maximum 59,500 to keep alive the chances for the rise to the above-mentioned upside objectives. Any unexpected fall

below 57700 may turn the outlook neutral. We expect dips to above mentioned supports to hold and rise towards above mentioned resistances.

### ICE May 24 Cotton Futures

The chart picture has turned decisively bullish now. The 89-90c range has been a major resistance for the past 15 months or so, has turned into a major support now. Speculative funds have been trying to push prices higher, as they see many mills have uncovered positions in the On-Call market resulting in a short squeeze. There are a net 4 million odd bales still open to be covered by mills before June.

The May July On-Call situation also looks similar but unlike in the March contract, the US crop was lower leading to strong bullishness. However, in the month of May a record Brazil and Australian crop is seen hitting the market that could dissipate any supply worries. We expect May futures price to drop back to 89-90c or even lower again. Speculative funds are seen decreasing long positions while mills are seen pricing the open on-call positions in the 90-93c zone as seen in the chart below.

As mentioned before, using ICE futures and Options for mitigating prices risk especially when prices are at elevated levels helps cushion the fall and manage high priced inventory of cotton and yarn is ideal for the industry, but to take that leap of faith is a humungous task for this industry where raw material price moves make or break the profit margins.

Hedging high priced inventories in a falling market could help offset some losses from the recent fall in cotton prices. A good opportunity to protect the inventory value of purchases, is now to Buy PUT options (Out of the money) around peaks at 88-90c in ICE futures. This will help in mitigating any expectations of further declines. However, if the market does rise, it is only the premium for PUT's that has to be borne which is very meagre.

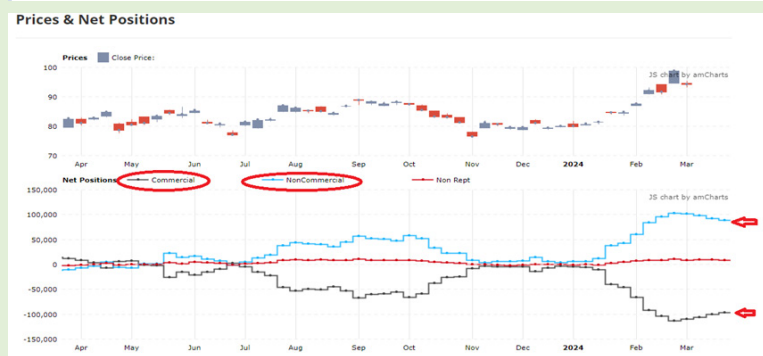
A container of yarn roughly uses 150 bales of raw material cotton. That much of raw material price risk is what one is exposed to till the yarn is sold. The OPTION Is ICE futures, USA helps in inventory management. MCX Candy contracts recently launched should be a good testing ground for mills and exporters desirous of hedging their price risk in ICE futures and options.

### Conclusion

As mentioned in the previous update, prices could pull back towards 59,500 levels again. Demand picture remains unclear, but domestic prices are well supported. Strong resistance is presently noticed in the 63,000-64,000 zone per candy levels presently and may find it tough to cross that in the near-term. Any bright spots appearing on the demand horizon in the form of pause in interest rates and are not likely to last long as inflationary pressures persist. Presently rising crude oil prices could support cotton further.



Futures Based On:	Call Cotton Based New York				Open Futures Contracts ICE Futures U.S.	
	Unfixed Call Sales	Change From Previous Week	Unfixed Call Purchases	Change From Previous Week	At Close 03/22/2024	Change From Previous Week
May 2024	17,308	-4,019	4,145	-69	114,978	-8,504
July 2024	24,185	304	2,943	-107	73,476	1,361
October 2024	0	0	0	0	215	146
December 2024	22,785	1,532	35,082	522	77,821	5,904



Important support in ICE is at \$89-90 range followed by \$85-86 on the downside and in that zone, Prices could find a lot of buying interest again. We expect prices to test 89-90c with a chance of even extending to 87c briefly before rising higher. The international price indicates that it has broken out of 15-month range. In the past such rallies based on On-call situation have seen equally sharp downside once the expiry of contract happens. Also, the inverse in December month continues to fuel expectations of a sharp fall post July that could see mills holding high priced and unhedged inventories.

For Shankar 6 Guj ICS supports are seen at 58-59,000 per candy and for ICE Mar cotton futures at \$89-90c now. The domestic technical picture looks neutral, but any downticks could find strong buying interest. Therefore, we can expect prices to be well supported initially followed by a bullish rally in the international prices and the domestic prices remaining flat to mildly strong going forward.

*(The views expressed in this column are of the author and not that of Cotton Association of India)*

## USDINR Monthly Report: April 2024

*Shri. Anil Kumar Bhansali, Head of Treasury, Finrex Treasury Advisors LLP, has a rich experience of Banking and Foreign Exchange for the past 36 years. He was a Chief Dealer with an associate bank of SBI*

### EXPERT'S Column



**Shri. Anil Kumar Bhansali**  
Head of Treasury,  
Finrex Treasury Advisors LLP

USDINR is expected to trade within the range of 82.80-83.75 for April 2024. Strength in US dollar index, rising oil prices, weakness in Japanese yen coupled with Yuan's gradual depreciation is expected to keep USDINR afloat. Close watch will be on RBI's intervention action, the central bank is expected to protect the upper band in order to avoid sharp depreciation in Rupee. Immediate support lies at 83.15 below which doors will be open for 83.0-82.80. While breach of crucial resistance of 83.50 will lead upside move towards 83.75 levels.

### Key Triggers

**Dollar Index:** US dollar is expected to strengthen due to delayed rate cuts by Fed. Next FOMC meeting is on 1st May 2024 and it is anticipated that the Fed will keep interest rates unchanged. Rate cut is likely to be in June.

**Brent Oil:** Oil is expected to hold on the gains in April too as investors bet on tighter supply from OPEC+ ongoing cuts, attacks on Russian refineries, geo-political concerns in the Middle East and upbeat Chinese manufacturing data. OPEC+ will be meeting on 3rd April, but is unlikely to make any oil output policy changes until a full ministerial gathering in June.

**Chinese Yuan:** Yuan depreciated gradually over 2.5% since Jan 2024 mainly due to rising monetary

easing expectations after senior PBOC officials hinted at there being further room to reduce bank reserve requirements.

**Japanese Yen:** Yen weakened to a 34-year low (151.97) as BOJ shifts from its negative interest rate policy.

**Gold:** Gold continued to hit fresh record highs on back of safe-haven demand, central banks purchases globally and as US inflation data cements June rate cut bets. However, surging prices have hit India's gold import figures which plunged 90% m/m in March to 10-11 mt and if imports continue to remain low then this could also help India narrow its trade deficit and support the Rupee.

**India's Trade Deficit and CAD:** India's monthly trade deficit is expected between \$18-\$23 bn in the coming months. CAD for entire year 2023-24 is expected between 1-1.2% as Services growth has been exceptional. But economists also warn of reversal of gains in CAD if crude oil and gold prices rise sharply.

**FII Flows:** India has beaten rest of the Asian markets by attracting the highest foreign funds flow in March. Stable economic growth in India and India's global bond inclusion perspective may attract FPIs flows into the Indian equities in coming months.

**FX Reserves:** We can see reserves to reach \$700+ bn (new record high) mark in FY 2025 as RBI replenishes its reserves. The current level of foreign reserves is enough for around 11-12 months of imports.

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## Glimpses of Holi Get Together at CAI on 26th March, 2024







UPCOUNTRY SPOT RATES (Rs./Qtl)													
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [ By law 66 (A) (a) (4) ]								Spot Rate (Upcountry) 2022-23 Crop March 2024					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	25th	26th	27th	28th	29th	30th
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	14594 (51900)	14735 (52400)	14679 (52200)			14679 (52200)
Spot Rate (Upcountry) 2023-24 Crop													
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	12682 (45100)	12738 (45300)	12570 (44700)			12654 (45000)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	H	12851 (45700)	12907 (45900)	12738 (45300)	H	12823 (45600)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20		11332 (40300)	11445 (40700)	11389 (40500)		11389 (40500)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22		15466 (55000)	15607 (55500)	15550 (55300)		15550 (55300)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	O	15916 (56600)	16000 (56900)	15860 (56400)	O	15944 (56700)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25		-	-	-		-
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26		16085 (57200)	16169 (57500)	16028 (57000)		16113 (57300)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25		14650 (52100)	14650 (52100)	14594 (51900)		14679 (52200)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	L	15578 (55400)	15578 (55400)	15522 (55200)	L	15607 (55500)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27		16310 (58000)	16394 (58300)	16310 (58000)		16394 (58300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27		16535 (58800)	16535 (58800)	16478 (58600)		16563 (58900)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	I	16591 (59000)	16591 (59000)	16535 (58800)	I	16619 (59100)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27		16647 (59200)	16731 (59500)	16675 (59300)		16731 (59500)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28		16731 (59500)	16731 (59500)	16591 (59000)		16675 (59300)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28		16928 (60200)	16928 (60200)	16872 (60000)		16956 (60300)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	D	16956 (60300)	16956 (60300)	16900 (60100)	D	16984 (60400)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28		16928 (60200)	17013 (60500)	16956 (60300)		17013 (60500)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29		17294 (61500)	17294 (61500)	17209 (61200)		17294 (61500)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	A	17322 (61600)	17322 (61600)	17238 (61300)	A	17322 (61600)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30		17519 (62300)	17519 (62300)	17491 (62200)		17575 (62500)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30		17547 (62400)	17547 (62400)	17519 (62300)		17603 (62600)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31		N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)		N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	Y	22355 (79500)	22355 (79500)	22355 (79500)	Y	22355 (79500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34		22777 (81000)	22777 (81000)	22777 (81000)		22777 (81000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35		22777 (81000)	22777 (81000)	22777 (81000)		22777 (81000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35		23199 (82500)	23199 (82500)	23199 (82500)		23199 (82500)

(Note: Figures in bracket indicate prices in Rs./Candy)