

Weekly Publication of



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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 04/05/2021 to 08/06/2021

(The author is Director of Commtrendz Research and the views expressed in this column are his own and the author is not liable for any loss or damage, including without limitations, any profit or loss which may arise directly or indirectly from the use of following information.)

We will look into the Gujarat-ICS-105, 29mm prices along with other benchmarks and try to forecast price moves going forward.

As mentioned in the previous update, fundamental analysis involves studying and analysing various reports, data and based on that arriving at some possible direction for prices in the coming months or quarters.

Some of the recent fundamental drivers for the domestic cotton prices are:

- Cotton futures are higher in line with international prices, taking bullish cues from it. Adverse weather condition in U.S. largest cotton producing states and Texas ahead of peak sowing season have helped ICE cotton futures retest recent highs.

- Cotton production numbers have also been supportive for prices. The Committee on Cotton Production and Consumption expects production during the current season (October 2020 to

September 2021) to be at 360 lakh bales, slightly lower than the 2019-2020 estimate of 365 lakh bales. Ending stock projection is revised higher though by the committee, at 118.8 lakh bales from 98.8 lakh bale pegged earlier.

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

- Cotton arrivals across the country in the month of April have plunged below 45,000 tons, down by over 70% month on month. However, demand destruction due to Covid restrictions and huge carry over stock from the previous year is expected cap any major upside in the near-term.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures gained higher on Friday, due to adverse weather conditions in Texas, the largest U.S cotton-producing region. May is typically the wettest month of the year and it's the month with the highest risk for severe weather. The probability for severe weather is greatest for the first two-thirds of the month before starting to retreat north toward the end of May and into early June. Flash flooding remains a threat as of now, with multiple waves of heavy rain passing through, putting down high amounts of rainfall in a short period of time.

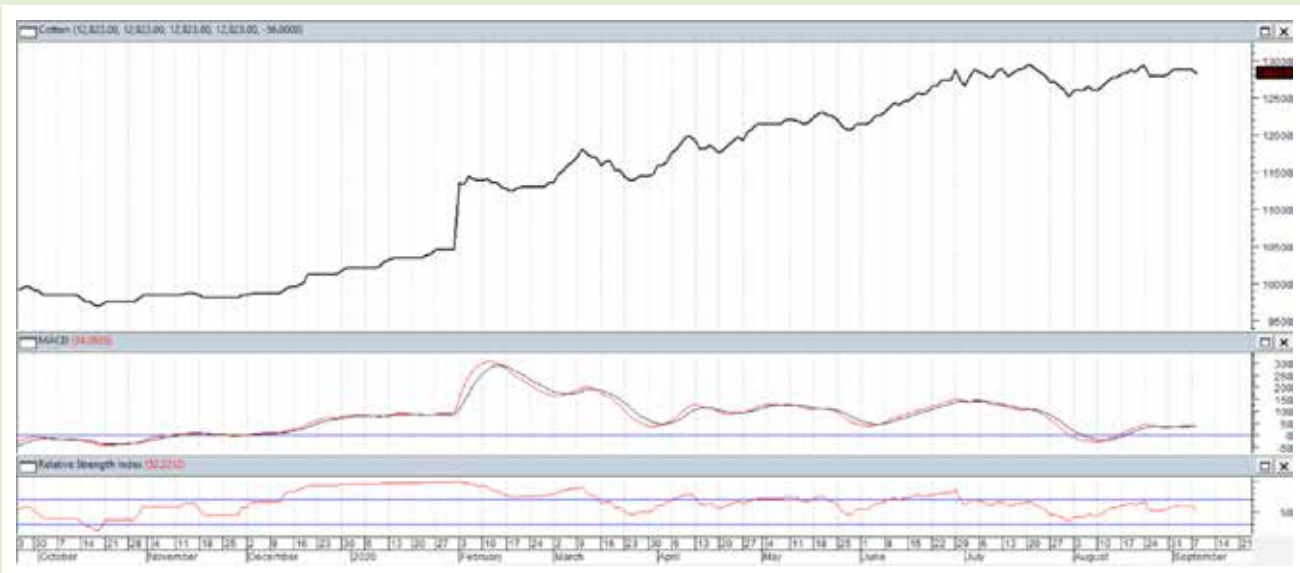
- There is weak weekly export sales by U.S. (77,100 running bales, down by 25% W-o-W) and the USDA weekly crop progress report shows

12% of the crop have been planted in U.S. till April 25th, against last 5-year average of 11% weighed on prices. The U.S. dollar edged up but remained generally sluggish despite strong GDP data. A higher dollar makes greenback-priced cotton more expensive for physical buyers.

- U.S. cotton seems to have lost out to competition from cheaper fibre from other global producers, especially India, where it is trading at a discount to Cotlook A.
- Speculators increased their net long positions in raw sugar, arabica coffee, cocoa and cotton futures on ICE in the week to April 27, data from the U.S. Commodity Futures Trading Commission showed on Friday.

Guj ICS Price Trend

As mentioned in the previous update, we expected exhaustion signs around 13,000 and we expect prices to correct lower. Prices have moved exactly as per expectations falling lower to 12,500 and gradually grinding higher from there again. Supports are at 12,500 followed by 12,200 levels in the coming sessions. We expect prices to test these supports and edge higher again in the coming month.



MCX May Contract Chart

The MCX benchmark May cotton struggled around 22,000 and dropped lower again towards 20,500 levels before quickly bouncing higher again towards 22,000 levels. Prices have been quite volatile and we



Revision in Testing Charges at CAI Laboratories

The following are the charges for cotton testing in the laboratories of the Cotton Association of India with effect from 1st October 2020.

Particulars	Per Sample Testing Fees in Rs.		
	Testing Fees	GST	Total
HVI Test	145	26	171
Micronaire Test	85	15	100
Colour Grade on HVI	85	15	100
Gravimetric Trash Test on HVI	85	15	100
Moisture	85	15	100
Grading (Manual Classing)	235	42	277

VOLUME BASED DISCOUNTS

Particulars	Per Sample Testing Fees in Rs.		
	Testing Fees	GST	Total
For 250 samples and above but less than 500 samples	140	25	165
For 500 samples and above but less than 750 samples	135	24	159
For 750 samples and above but less than 1000 samples	130	23	153
For 1000 samples and above but less than 2000 samples	125	23	148
For 2000 samples and above but less than 5000 samples	120	22	142
For 5000 samples and above but less than 10,000 samples	115	21	136
For 10,000 samples and above	100	18	118

The fees under the above volume based discount scheme is payable within 15 days from the receipt of the invoices to be raised on monthly basis.

We would also like to inform that the parties can avail the benefit of testing of cotton at multiple laboratories of the Associations against the CAI Credits made by them.

We earnestly request you to avail the facility of testing at the Association's laboratories.



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expect more of this choppy movement in the coming weeks before we eventually see prices take out the important resistance at 22,500 opening the way for 23,700 or even higher in the coming month.

We will also look at the ICE Cotton May futures charts for a possible direction in international prices.



As mentioned before, we expect prices to find a bottom near 74-75c and bounce higher initially towards 86-87c levels where it might struggle to cross. Prices have moved exactly as per our expectations. Only, a direct rise above 88.50c could lift prices all the way higher towards 96c or even higher. Prices could spend some time in consolidation before preparing to rise higher now. A possible inverse head and shoulder pattern is in the making, which indicates a bullish upside move in the making that indicates a possible break of 96c opening the way for 2011 high of \$1.15 on the upside.

Conclusion:

The domestic prices are hinting at consolidation now, while the international prices are still showing a lot of promise on the upside. International cotton futures still continue to display bullish tendencies for the time being, again with possibilities of a minor corrective dips from time to time. The domestic prices are gradually inching higher, looking for more clues, but it might find it tough to rise relative to the international prices. The international price indicates strong positive momentum in the short-term, while the medium-term still looks bullish. We believe price could get supported around 81-82c range and gradually edge higher to levels mentioned above.

For Guj ICS supports are seen at 12,200-500/qtl and for ICE May cotton futures at 92c followed by 96c. The domestic technical picture looks neutral now, and the international prices are relatively more bullish compared to the domestic prices. We expect domestic prices to edge higher slowly from current levels. Therefore, though we expect more bullishness ahead in international markets, domestic prices might struggle to cope up with it.

COTTON WEBINAR : LEARN TO IDENTIFY TRENDS, TOPS & BOTTOMS

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COMMODITY TRADING USING FUNDAMENTAL & TECHNICAL ANALYSIS**



Mr. Gnanasekar Thiagarajan
Formerly a Trader with Bank of Nova Scotia

- 20 YEARS TRADING EXPERIENCE
- COMMODITY COLUMNIST, WEEKLY TECHNICAL ANALYSIS ON ON ICE COTTON FOR THE HINDU BUSINESS LINE
- HE WRITES AND HAS BEEN WRITING A MONTHLY COLUMN IN THE COTTON ASSOCIATION OF INDIA WEEKLY NEWSLETTER FOR THE PAST 5 YEARS EXTENSIVELY READ AND APPRECIATED BY ALL PARTICIPANTS IN THE COTTON INDUSTRY
- HE WORKS WITH CORPORATES AND INDUSTRY HELPING THEM MANAGE THE VOLATILE PRICE MOVEMENTS THROUGH HEDGING & OTHER INSTRUMENTS



Mr. G Chandrashekhar
Formerly Commodities Editor
The Hindu Business Line

- POLICY COMMENTATOR TO THE GOVT. OF INDIA THROUGH HIS COLUMNS IN THE HINDU BUSINESS LINE
- HE'S CURRENTLY THE ECONOMIC ADVISOR, IMC CHAMBER OF COMMERCE AND INDUSTRY, MUMBAI
- HE'S A REGULAR SPEAKER AT ALL COTTON EVENTS BOTH IN INDIA AND OVERSEAS WHERE HE OPINES ON COTTON MARKET SUPPLY, DEMAND & HIS FUNDAMENTAL PRICE OUTLOOK
- HE'S ALSO A MEMBER, SEBI COMMODITY DERIVATIVES ADVISORY COMMITTEE & CONSULTANT UNITED NATIONS INTERNATIONAL TRADE CENTRE, GENEVA



Mr. Yeshwant Rao
Formerly Head of Treasury - Currency & Cotton Trading for Arvind Mills Ltd.

- 30 YEARS TRADING EXPERIENCE IN COMMODITIES
- FORMERLY HEAD OF TRADING STRATEGIES, RELIANCE INDUSTRIES (PETROLEUM BUSINESS)
- HE WAS INSTRUMENTAL IN DESIGNING AND SETTING UP OF THE HEDGING DESK FOR ARAVIND MILLS LTD.
- A VETERAN IN THE CREATION OF MECHANICAL TRADING SYSTEMS INCORPORATING TECHNICAL ANALYSIS & MARKET PSYCHOLOGY



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PROGRAM HIGHLIGHTS

TWO DAY PROGRAM
(14/5/21 - 10 am - 5 pm)
(15/5/21 - 10 am - 1 pm)

CHARGES :
NON - CAI MEMBERS - 16,900 + GST (Rs 3402) - 19,942
CAI MEMBERS - 13,900 + GST (Rs 2502) - 16,402
OVERSEAS PARTICIPANTS - US \$245

ENABLES DECISION MAKING FOR PHYSICAL TRADERS AND FUTURES TRADERS

DYNAMIC IMPLEMENTATION OF TECHNICAL & FUNDAMENTAL ANALYSIS FOR COTTON TRADING

REAL TIME COTTON TRADING WITH SIMPLE STRATEGIES

LEARNING OUTCOMES

LEARN HOW TO APPLY CONCEPTS TO HELP IN TIMING COTTON PURCHASES

UNDERSTAND TO CRUNCH SUPPLY DEMAND NUMBERS FOR COTTON

NUANCES OF SHORT, MEDIUM AND LONG-TERM TRADING SHALL BE CLARIFIED

PROPER METHODOLOGY FOR COMBINING FUNDAMENTAL, TECHNICAL & MARKET PSYCHOLOGY TO FORECAST COTTON PRICES SUCCESSFULLY

SUPPORT WEBINARS ONCE EVERY QUARTER TO HELP BEGINNERS RESOLVE THEIR DOUBTS

RETAKES OF SESSIONS MISSED/NOT UNDERSTOOD SUBJECT TO SEAT AVAILABILITY

GUIDANCE AND SUPPORT FOR DOUBTS/QUERIES

WHAT'S COVERED



COTTON

KEY TAKEAWAYS

MASTER THE PSYCHOLOGY OF COTTON TRADING

ANALYSIS USING DIFFERENT TECHNICAL TRADE SETUPS

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Since 1921, we are dedicated to the cause of Indian cotton.

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The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- 🔧 State-of-the-art technology & world-class Premier and MAG cotton testing machines
- 🔍 HVI test mode with trash% tested gravimetrically

LABORATORY LOCATIONS

Current locations : • **Maharashtra** : Mumbai; Yavatmal; Aurangabad; Jalgaon • **Gujarat** : Rajkot; Ahmedabad • **Andhra Pradesh** : Adoni
• **Madhya Pradesh** : Khargone • **Karnataka** : Hubli • **Punjab** : Bathinda • **Telangana**: Warangal, Adilabad



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UPCOUNTRY SPOT RATES													
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2020-21 Crop April - May 2021					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	26th	27th	28th	29th	30th	1st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	10854 (38600)	10854 (38600)	10854 (38600)	10854 (38600)	10854 (38600)	
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	10995 (39100)	10995 (39100)	10995 (39100)	10995 (39100)	10995 (39100)	H
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)	
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	9420 (33500)	9420 (33500)	9420 (33500)	9420 (33500)	9420 (33500)	
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	O
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	11670 (41500)	11754 (41800)	11754 (41800)	11754 (41800)	11726 (41700)	
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	10854 (38600)	10854 (38600)	10854 (38600)	10854 (38600)	10854 (38600)	
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	11754 (41800)	11838 (42100)	11838 (42100)	11838 (42100)	11810 (42000)	L
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	11192 (39800)	11192 (39800)	11192 (39800)	11192 (39800)	11192 (39800)	
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	11614 (41300)	11614 (41300)	11614 (41300)	11614 (41300)	11614 (41300)	
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	12035 (42800)	12120 (43100)	12120 (43100)	12120 (43100)	12,035 (42800)	I
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	12373 (44000)	12373 (44000)	12373 (44000)	12373 (44000)	12317 (43800)	
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	12401 (44100)	12401 (44100)	12401 (44100)	12401 (44100)	12345 (43900)	
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	12513 (44500)	12513 (44500)	12513 (44500)	12513 (44500)	12457 (44300)	D
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12317 (43800)	12401 (44100)	12401 (44100)	12401 (44100)	12373 (44000)	
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12851 (45700)	12851 (45700)	12851 (45700)	12851 (45700)	12795 (45500)	
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12823 (45600)	A
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12823 (45600)	
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	13498 (48000)	13498 (48000)	13498 (48000)	13498 (48000)	13498 (48000)	
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	13526 (48100)	13526 (48100)	13526 (48100)	13526 (48100)	13526 (48100)	Y
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)	
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	13666 (48600)	13666 (48600)	13666 (48600)	13666 (48600)	13666 (48600)	
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	13779 (49000)	13779 (49000)	13779 (49000)	13779 (49000)	13779 (49000)	
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	21090 (75000)	21090 (75000)	21090 (75000)	21090 (75000)	21090 (75000)	
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	34	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	

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