

Weekly
Publication of



**Cotton
Association
of India**

Cotton Exchange Building, 2nd Floor,
Cotton Green, Mumbai - 400 033
Phone: 3006 3400
Fax: 2370 0337
Email: cai@caionline.in
www.caionline.in

Regd.No.MH/MR/EAST/96/2009-11

Registered with the Registrar of Newspapers for India under R.No.18844/69

Published every Tuesday

Price: Rs.60 per copy

Cotton Statistics And News

2013 * No. 6 * 7/05/2013

Edited & Published by Amar Singh

Introduction to Technical Analysis an Important Tool to Predict Cotton Futures Prices



Shri Gnanasekar Thiagarajan

(Continued from last issue....)

With the rice coupon becoming an actively traded entity, the Dojima Rice exchange became the world's first futures exchange. Rice coupons were also called "empty rice" coupons, rice that

was not in physical possession. Rice futures trading became so established in the Japanese marketplace, that in 1749, 110,000 bales (rice traded in bales) were freely traded while there were only 30,000 bales in existence throughout Japan.

It was during this time period that Candlestick trading became more refined. Candlestick analysis had been developed over the years simply due to the tracking of rice price movements. However, in the mid 1700's they were really fully utilized. "The god of the markets" Homna came into the picture. Munehisa Homna, the youngest son of the Homna family, inherited the family's business due to his extraordinary trading savvy. This at a time when the Japanese culture, as well as many other cultures, thought it common that the eldest son should inherit the family business. The trading firm was moved from their city, Sakata, to Edo (Tokyo). Homna's research into historic price moves and weather conditions established more concrete interpretations into what became known as Candlesticks. His research and findings, known as "Sakata Rules" became the framework for Japanese investment philosophy.

After dominating the Osaka rice markets, Homna eventually went on to amass greater fortunes in the Tokyo exchanges. It was said that he had over one hundred winning trades in a row. His abilities became legendary and were the basis of Candlestick analysis.

The field of technical analysis is based on three assumptions:

1. The market discounts everything.
2. Price moves in trends.
3. History tends to repeat itself.

1. The Market Discounts Everything

A major criticism of technical analysis is that it only considers price movement, ignoring the fundamental factors of the company. However, technical analysis assumes that, at any given time, a stock's price reflects everything that has or could affect the company - including fundamental factors. Technical analysts believe that the company's fundamentals, along with broader economic factors and market psychology, are all priced into the stock, removing the need to actually consider these factors separately. This only leaves the analysis of price movement, which technical theory views as a product of the supply and demand for a particular stock in the market.

2. Price Moves in Trends

In technical analysis, price movements are believed to follow trends. This means that after a trend has been established, the future price movement is more likely to be in the same

direction as the trend than to be against it. Most technical trading strategies are based on this assumption.

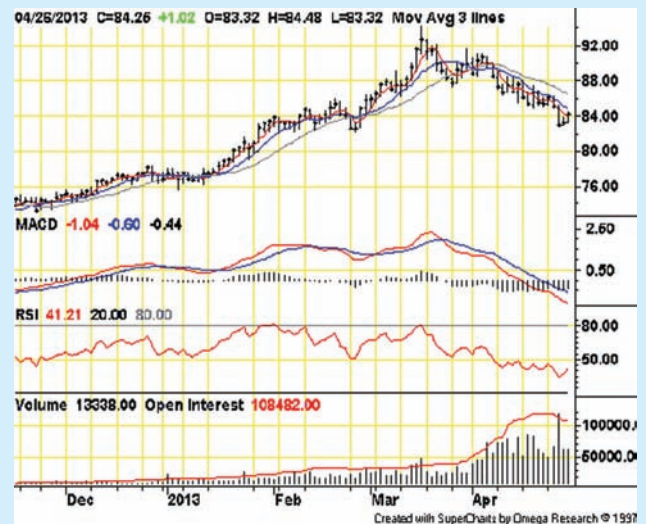
3. History Tends To Repeat Itself

Another important idea in technical analysis is that history tends to repeat itself, mainly in terms of price movement. The repetitive nature of price movements is attributed to market psychology; in other words, market participants tend to provide a consistent reaction to similar market stimuli over time. Technical analysis uses chart patterns to analyze market movements and understand trends. Although many of these charts have been used for more than 100 years, they are still believed to be relevant because they illustrate patterns in price movements that often repeat themselves.

COTTON

Technical analysis is extensively used in Cotton futures trading to understand price trends and possible price behaviour.

As the crop patterns, weather patterns and demand/supply patterns are repetitive, so is the



human minds which are involved in trading Cotton. Technical analysis tries to understand market psychology and crowd behaviour in the cotton futures and spot markets thereby giving the edge to be ahead of the markets to the trader.

We will endeavour to capture future prices trends and market behaviour on a fortnightly basis.

(Concluded)



Corporate Office:

S 12/14, Cotton Exchange Bldg., Cotton Green (E),
 Mumbai 400 033. (Mah.) India.
 Email: abccotspin@abcctotspin.com
 Phone: +91 22 2378 2303 • Fax: +91 22 2378 2304.

Regd. Office:

C/4, Nikumbh Complex, Near Reliance House,
 Off. C.G. Rd., Ellisbridge, Ahmedabad 380 006.
 (Guj.) India. Email: abccotspin@abcctotspin.com
 Phone: +91 79 2656 4921/22
 Fax: +91 79 2642 0792.

BHAVIK MEHTA

SOHAM COTTONS

**COTTON & YARN MERCHANTS AND
 COMMISSION AGENTS**



SEWRI OFFICE:

C/O. B-104, COTTON EXCHANGE,
 COTTON GREEN, MUMBAI-400 033
 TEL. NO: 022-2371 3480
 FAX: 022-2371 2439
 MOBILE: 98202 31092



OFFICE:

B-801, MORAR ASHISH,
 OPP. NITIN CO. LTD.
 OFF: EASTERN EXP. HIGHWAY,
 THANE-400 604
 TEL. NO.:2542 4341
 TELEFAX: 2542 5070
 E-mail: bhavikbm@hotmail.com

World Cotton Production and Mill Use: From This Season to the Next

As reported by the ICAC in its latest Press release of 1st May, an estimated 34.1 million hectares of cotton are being harvested in 2012-13, 5 percent below the previous season; another 5 percent drop to 32.2 million hectares is forecast in 2013-14. Accordingly, global cotton production is estimated down 5 percent from 27.8 million tons (mt) to 26.3 mt this season, and world production is forecast to drop another 6 percent to 24.6 mt during 2013-14. From 2012-13 to 2013-14, cotton production in China and the United States is each forecast to fall by 700,000 tons to 6.7 mt and 3 mt respectively, and production in India is forecast to decline by 170,000 tons to 5.7 mt as farmers continue to switch out cotton for more profitable alternatives. China's production decline is also attributed to labour shortages as farm workers migrate to cities searching for urban employment.

Global cotton mill use is rising an estimated 7 percent from 22.1 mt last season to 23.7 mt in 2012-13, and mill use is projected to rise another 2 percent to 24.3 mt in 2013-14. Mill use in China is falling to an estimated 8.3 mt in 2012-13 as the national cotton policy remains unclear, and another drop of 300,000 tons to 8.0 mt in 2013-14 is expected, the lowest in 10 years.

Imports by China are estimated at 3.7 mt in 2012-13 and 3 mt in 2013-14. Because of the Chinese national cotton reserve policy, a seismic shift in the location of world cotton use is underway.

Decreased mill use in China will be partially offset by increases in India, Bangladesh, Turkey and Pakistan.

World cotton stocks are forecast to rise to 18 mt by July 2014, which will represent approximately 9 months of world mill use. However, the ending stocks-to-use ratio in the world minus the Chinese reserve will drop to 37 percent in 2012-13 and to an estimated 30 percent in 2013-14, posing a potential challenge to the global supply of cotton next season. Assuming the Chinese government adheres to the current reserve policy, the Cotlook A Index is projected to average 88 cents and 122 cents per pound in 2012-13 and 2013-14, respectively.

The world cotton demand and supply, as drawn up by the ICAC, is given below.

(in mt)

	2011-12	2012-13	2013-14
Production	27.79	26.34	24.61
Consumption	22.10	23.71	24.25
Imports	9.79	9.43	8.90
Exports	9.80	9.43	8.90
Ending Stocks	15.27	17.90	18.25

(Source: ICAC Monthly - 01.05.2013)

"The World's Most Influential Region Gets Even Stronger"

The 2013 first quarter edition of Cotton International carries a piece entitled "The World's Most Influential Region Gets Even Stronger". Some of the interesting information given in this piece is given below.

Given that China has been the world's top producer, consumer and importer of cotton for many years, it is surprising that the country could have gained so much more influence in the global cotton industry in just the last year or two. Global cotton prices are affected by Chinese policies more than any other factor including economic fundamentals such as supply and demand.

- Earlier this month, US Department of Agriculture increased the forecast of global cotton stockpiles for 2012-13 to 81.86 million bales.

- More than half of this quantity, actually 42.61 million bales, are in the national reserve stock of China.

Overall, the amount of global stocks at present is the highest since 1966. If the supply in China is removed from this equation, however, the global stocks are at 39.25 million bales, the lowest total since 1994-95.

When a country with so much influence changes policies and/or purchasing habits, the entire world feels the impact. And no part of the world feels it more than China's neighbouring countries in the region.

When China outsources some of its spinning capacity, other countries see a commensurate upswing in business for their spinning mills. And when China shows a preference for importing cotton yarn rather than raw fibre, yarn merchants in countries such as India and Pakistan are there to meet the growing demand.

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) 2012-13 Crop April - May 2013					
Sr. No.	Growth Standard	Grade /GPT	Grade	Staple	Micronaire	Strength	29th	30th	1st	2nd	3rd	4th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	9476 (33700)	9476 (33700)		9476 (33700)	9476 (33700)	9505 (33800)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	9729 (34600)	9729 (34600)	H	9729 (34600)	9729 (34600)	9758 (34700)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	7452 (26500)	7536 (26800)		7480 (26600)	7536 (26800)	7536 (26800)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	8914 (31700)	8998 (32000)	O	8942 (31800)	8942 (31800)	8942 (31800)
5	M/M	ICS-104	Fine	24mm	4.0 – 5.5	23	9617 (34200)	9645 (34300)		9589 (34100)	9589 (34100)	9589 (34100)
6	P/H/R	ICS-202	Fine	26mm	3.5 – 4.9	26	10151 (36100)	10320 (36700)		10179 (36200)	10264 (36500)	10292 (36600)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	9505 (33800)	9589 (34100)	L	9448 (33600)	9505 (33800)	9588 (34100)
8	M/M/A	ICS-105	Fine	26mm	3.5 – 4.9	25	9786 (34800)	9814 (34900)		9673 (34400)	9729 (34600)	9786 (34800)
9	P/H/R	ICS-105	Fine	27mm	3.5 – 4.9	26	10292 (36600)	10461 (37200)	I	10320 (36700)	10404 (37000)	10432 (37100)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	9729 (34600)	9814 (34900)		9673 (34400)	9729 (34600)	9786 (34800)
11	M/M/A	ICS-105	Fine	27mm	3.5 – 4.9	26	9954 (35400)	10039 (35700)		9898 (35200)	9954 (35400)	10039 (35700)
12	P/H/R	ICS-105	Fine	28mm	3.5 – 4.9	27	10545 (37500)	10657 (37900)	D	10517 (37400)	10601 (37700)	10629 (37800)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	10264 (36500)	10292 (36600)		10151 (36100)	10236 (36400)	10320 (36700)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	10320 (36700)	10376 (36900)	A	10236 (36400)	10320 (36700)	10404 (37000)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	10432 (37100)	10489 (37300)		10348 (36800)	10432 (37100)	10489 (37300)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	10489 (37300)	10545 (37500)		10404 (37000)	10489 (37300)	10545 (37500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	10714 (38100)	10770 (38300)	Y	10629 (37800)	10714 (38100)	10770 (38300)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	10911 (38800)	11023 (39200)		10882 (38700)	10967 (39000)	10995 (39100)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	11164 (39700)	11276 (40100)		11135 (39600)	11220 (39900)	11248 (40000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	13498 (48000)	13638 (48500)		13498 (48000)	13638 (48500)	13638 (48500)

(Note: Figures in bracket indicate prices in Rs./Candy) N.Q. = Not Quoted