

Technical Analysis Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the period 7th June 2022 to 4th July 2022

Shri. Gnanasekar Thiagarajan is currently the head of Commtrendz Research, an organization which, specializes in commodity research and advisory to market participants in India and overseas. He works closely

with mostly Agri-Business, base metals and precious metals business corporates in India and across the globe helping them in managing their commodity and currency price risk. Further to his completing a post graduate in software engineering, he did a long stint with DowJones, promoters of "The Wall Street Journal" and had the opportunity of closely working with some of the legends in Technical Analysis history in the U.S.

His columns in The Hindu Business Line have won accolades in Shri Gnanasekar Thiagarajan Director, Commtrendz Research

the international markets. He also writes a fortnightly column on a blog site for The Economic Times on Global commodities and Forex markets. He is a part an elite team

Domestic Markets

• Cotton prices are mildly higher in line with international prices that bounced from recent lows on mill buying. But the lack of followthrough buying on the back of poor demand continues to weigh on futures presently.

Position limits that have been imposed

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.

in MCX is one of the reasons why there is no follow-through buying, as the new member level position will now be at 800,000 bales (38,00,000 bales earlier) and at individual client level at 80,000 bales (vs 380,000 bales). Near month futures positions limit has been cut to 20000 bales at client level (vs 95000 bales) and 200,000 bales (vs 950,000 bales) at member level.



• Separately, as per the Government of India data, India's cotton planting upto June 3rd stood at 10.73 lakh hectares vs 13.08 lakh seen last year, same time. While details at state level were still awaited, the fall in overall number is a bit surprising. Normally, North India - Punjab, Haryana and Rajasthan see an early start to cotton planting by late April. This planting is nearly complete by the end of June.

International Markets

• ICE Cotton futures fell on Monday, weighed by a firmer dollar, as focus turned to a federal supplydemand report due later in the week. Investors are awaiting the U.S. Department of Agriculture's monthly supply and demand report on Friday. The supply-demand report and the expiration of July futures and options are going to reduce the open interest in the market. Cotton seems to be finding initial support from mill fixations that still have to be done. But it doesn't seem to be a worry anymore.

• Cotton producing locales across West Texas received at least 1 inch of precipitation over the course of last week – some received much more. However, short- and mid-term forecasts are less than encouraging. Much of the headlines last week centred around rains in the Southwest. Previously, most of the rainfall was relegated to irrigated areas. However, recent showers did fall on a sizable portion of the dryland acreage. This should allow stands to be obtained in areas where once it looked doubtful.

• The question now to be asked is will the impending global recession be the next major world crisis? The USDA currently estimates world consumption at 123 million bales. A three percent decline due to the recession would have the world use at 119 million bales, or worse, a five percent decrease would drop world consumption to 117 million bales. If a recession reaches crisis stage significantly eroding demand, the shorts will feast in driving this market south.

Shankar 6 GUJ ICS Price Trend

As mentioned in the previous update, a potential target lies around 27,500-28,000 levels which is expected to strongly repulse upside attempts. After testing 28,500, prices have been struggling to find further buying momentum. Most of the supply issues have been factored in and going forward, markets will now focus on weather and demand. We expect prices to gradually edge lower to 26,500 or even lower to 25,000 levels now.



MCX June Contract Chart

The MCX benchmark cotton prices after testing an all-time high of 50,330 has been steadily declining thanks to some proactive measures taken by the government, although it might have come a tad bit late. A sharp correction from the highs so far has seen a decline to 43,800. Presently, we expect

a pullback again to 46,500-47,000 levels on the upside and a subsequent decline lower again towards 42,000 or even lower to 40,000 in the coming month. In the bigger picture, we anticipate prices to edge lower eventually towards 37,000, a Fibonacci retracement level as seen in the chart below.



ICE Dec Cotton Futures

ICE cotton December futures after testing highs \$1.33 has seen a sharp decline with rising volumes, a typical sign of bulls exiting the market. We expect a minor pullback towards \$1.23 levels before declining sharply lower from there towards \$1.05 eventually. Weather and demand are going to dominate the narrative for cotton prices going forward and markets seems to have moved on and taken all supply issues into account already. However, if the external factors like weather do not show any improvements, speculators could be taking aim at the all-time highs at \$2.11 reached in March 2011. Any unexpected rise above \$1.29 on a closing basis could cause doubts on the bearish view.



Conclusion

The domestic prices have corrected sharply lower from recent highs. Though, it looks like we have more or less seen an intermediate top around 110,000/candy, the decline going forward will be measured and steady. Buying frenzy from futures will most probably be absent due to position limits imposed on it. International prices too have seen a healthy correction so far.

Both in 2011 and 2018, the On-call sales positions bloated like how we are at presently and the end was not a happy one for the industry which panicked and bought at high prices. Important support is at \$1.15 followed by \$1.05c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices have risen much higher relative to international prices, and perfectly in line with our expectations over the past several months now. The ensuing correction will be equally sharp on the downside and the premium over ICE could gradually become neutral. The international price indicates that it is in the process of a downward correction in the coming sessions.

For Guj ICS supports are seen at 25,500/qtl and for ICE May cotton futures at \$1.15 followed by \$1.05c. The domestic technical picture looks weak and could grind lower eventually. It could however find traction from time to time based on news flows. We have been expecting domestic prices to see a sharp retracement lower and it has finally materialised. Therefore, we can expect sharp moves lower in domestic prices after making new highs and international prices to remain neutral to mildly bearish going forward.

US\$INR Monthly Report for June 2022

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

We expect USDINR to trade in the wide range of 77.0-78.50 for June 2022. The major events to be focus will be outcome of RBI policy on

8th June and FOMC policy on 15th June. Updates regarding Russia-Ukraine crisis, USDCNY movement,

oil prices, FII flows and RBI stance to maintain stability in Rupee will as well be on the radar. USDINR is quite stable as RBI has been selling dollars above 77.80 and oil companies buying at around 77.40.

Following will be the key triggers for USDINR in month of June:-

 RBI Policy outcome on 8th June: The RBI committee is scheduled to meet on 6-8th June 2022, and is anticipated that it could raise the interest rates between 25-50 bps in June. RBI is expected to unveil revised upward projections on inflation in the June meeting.

✓ FOMC Policy outcome on 15th June: The US Federal Open Market Committee (FOMC) is scheduled to meet on 14-15th June 2022, and it is anticipated that the Fed could raise the interest rates by 50 bps and will start scaling back its nearly \$9trn balance sheet in June.





Head of Treasury, Finrex Treasury Advisors LLP

Vukraine – Russia war crisis: Investors will remain sensitive to any news regarding the Russia-Ukraine front and will react accordingly, thus effecting the market sentiments. Intensifying situation due to any more stricter actions by major economies on Russia and delay in talks, will create volatility in the market.

.

 Brent oil prices: Brent oil
Shri. Anil Kumar Bhansali continued to remain above \$100/ bl. Prices will take cues from concerns over supply tightness in the market. Strong demand with

> the start of the US as well as European driving season and gradual reopening of Shanghai after two months of strict lockdowns. EU has also agreed to slash oil imports from Russia by the end of 2022, fuelling worries of a tighter market which is already strained for supply.

> FII sell off continues: Domestic markets continued to experience outflows for eighth consecutive month. From Oct 2021-May 2022 the total outflows count was at \$29.068 bn. In CY 2022 from January to May total outflows stand at \$23.143 bn, with May witnessing FII's selling of \$4.73 bn (as of 31st May 2022).

> **RBI Forex strategy:** In order to maintain the USDINR in the range, RBI sold US dollar to protect upside at around 77.80 and oil companies are buying on dips at around 77.40 which is limiting downside in the pair.

Glimpses of Varun Yagna

organised by the Bombay Cotton Merchant's and Muccadums' Association Ltd. on 30th May 2022 at CAI





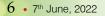














										I	PCOI	INTR	V CDC	IPCOLINTRY SPOT BATES	TFG									₹)	(₹\ Ouintal)	tal)
										2															X	(
												Σ	May 2022	7												
												202	2021-22 Crop	do.												
Growth	P/H/R	P/H/R (SG)	GUJ	KAR	M/M(P)	P/H/ R(U) (SG)	M/M(P)/ SA/TL	P/H/ R(U)	M/M(P)/ SA/ TL/G	M/M(P)/ SA/TL	P/H/ R(U)	M/M(P)	SA/ TL/K	GUJ R	R(L) M/N	M/M(P) SA/ TL/K	// /K GUJ	J M/M(P)	I(P) SA/TL/ K/O	(d)W/W /T	(P) TL/ K/ TN/O	SA/ TL/K/ TN/0	(M/M(P)) K/TN	M/M(P)	K/TN
Grade Standard	ICS-101	ICS-201	ICS-102 I	ICS-103	ICS-104	ICS-202	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105 I	ICS-105 IC	ICS-105 ICS	ICS-105 ICS	ICS-105 ICS-	ICS-105 ICS-105	105 ICS-105	105 ICS-105	105 ICS-105			5 ICS-107	7 ICS-107	ICS-107	ICS-107
Grade	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine 1	Fine F	Fine Fi	Fine Fine	ne Fine	ie Fine	ie Fine	e Fine	e Fine	Fine	Fine	Fine	Fine	Fine
Staple	Below 22 mm	Below 22 mm	22 mm	23 mm	23 mm	27 mm	26 mm	27 mm	27 mm	<i>27</i> mm	28 mm	28 mm 2	28 mm 28	28 mm 29	29 mm 29 r	29 mm 29 mm	nm 29 mm	un 30 mm	un 30 mm	m 31 mm	m 31 mm	n 32 mm	1 34 mm	34 mm	35 mm	35 mm
Micronaire	5.0-7.0	5.0-7.0	_		4.5-7.0	3.5-4.9	3.0-3.4	3.5-4.9	3.0-3.4	_	6			10			6	4.5 3.7-4.5	6.2	6.)	(1)	(1)			(1	2.8-3.7
Gravimetric Trash	4 7 %	4.5% 15	13%	4.5%	4% 2%	4.5% 76	4% 75	4% 76	4% 75	3.5% 76	4% 77	3.5%	3.5% 77	3% 3.	3.5% 3.5% 78 78	3.5% 3% 78 78	% 3% or		% 3%	3%	3%	3%	4% 33	3.5%	4% 25	3.50% 35
2	18250		÷.	9	9	25589	21371	0	4	0		Ы	x	2	0	5	й	5	5	ñ	ñ	Z	30369	31	31	32760
ю	18250					25730	21512																30369			32760
4	18250	18447	14257 1	17238 2	22355	25786	21652	26067	22215	23340 2		26573 2	26630 26	26517 259	25955 27417		73 27079		79 28120	28542	2 28682	_	30510	31635	31916	32900
5	18250	18447	14341 1	17322 2	22355	26011	21737	26292	22299		26826 2	26855 2	26911 26	26714 263	26152 27698	98 27754	54 27276	76 28148		39 28682		_	30651	31775	31916	32900
6	18531	18728	14482 1	17378 2	22355	25673	21652	25955	22215		26489 2	26630 2	26686 26	26573 26(26011 27473	173 27529		36 27867		17 28542	2 28682		30651	31775		32900
7	18531	18728	14482 1		22355	25673			22299				26686 26	26573 26(26011 27473						• •	2 N.A.	30651			32900
6	18531	18728	14622 1	17519 2	22496	26011	21877	26292	22440	23480 2	26826 2	26911 2	26967 26	26855 262	26292 27754	754 27811	11 27417	17 28148	18 28289	39 28823	3 28964	_	30791	31916	32057	33041
10	18812	19009	14847 1	17800 2	22777	26180	22158	26461	22721 2	23761 2	26995 2	27333 2	27389 27	27276 267	26714 28092	92 28148	48 27839	39 28682	32 28823	29245	5 29385	_	31072	32197	32338	33322
11	19375	19571	15269 1	18081 2	23058	26601	22440	26883	23143 2	24183 2	27417 2	27754 2	27811 27	27558 277	27136 28514	514 28570	70 28120	20 29104	04 29245	5 29526	6 29666		31213	32338	32478	33463
12	19375	19571	15325 1			26601	22496	26883			27417 2	27220 2	27276 27		27136 27979				32 28823			_	31213	32338	32478	33463
13	19656	19853	16169 1	18137 2	23058	26883	22637	27164	23340 2	24324 2	27698 2	27501 2	27558 27	27417 274	27417 28261	261 28317	17 27979	79 28964	54 29104	14 29385	5 29526		31354	32478	32619	33603
14	19740		16731 1			27164		27445	23480		27979 2	27782 2	27839 27	27558 276					45 29385				31354			33603
16	20021	20218	17013 1	18419 2	23340	27417	23058	27726 2	23677 2		28261 2	28064 2		27839 279	27979 28823	323 28879	79 28401	01 29526	26 29666	6 29948			31635	32760	32900	33884
17	20302	20499	17434 1	18700 2				28148 2	23902 2				28542 28	28261 284) N.A.	32057		33322	34306
18	20724	20921	17856 1	18981 2	23902	28120	23480	28570 2	24183 2	25589 2	29104 2	28626 2	28682 28	28401 288	28823 29526	526 29582	82 28823	23 30088	38 30229	9 30510	0 30651		32057	33181	33322	34306
19	21006	21202		18981 2	23902	28120	23480	28570 2	24183 2	25589 2	29104 2	28626 2			28823 29526			32 30088	38 30229	9 30510			32057	33181	33322	34306
20	21062		18559 1		24043	27839			24183 2													l N.A.	32197			34447
21	21062																						32197			34447
23	20781																						31635			33884
24	20781																					-	31635			33884
25	20781	20977	18278 1	18981 2	23902	27558	23058	28289 2	23761 2		28682 2	28542 28	28598 28	28120 284	28401 29104	04 29160	60 28542	±2 30088	38 30229	9 30510	0 30651		31354	32478	32619	33603
26	20781	20977	17997 1	19262 2	23902	27558	23058	28289 2	23761 2		28682 2	28542 28	28598 28	28120 284	28401 29104		60 28542	12 30088	38 30229	9 30510		l N.A.	31354	32478	32619	33603
27	20218	20415	17434 1	18700 2	23340	26714	22496	27445 2	23199 2	25167 2	27839 2	27979 28	28036 27	27558 275	27558 28542	642 28598	98 27979	79 29807	07 29948	8 30229	9 30369) N.A.	30791	31916	32057	33041
28	20218	20415	16872 1	18559 2	23058	26573	22355	27164 2	23058 2	25027 2	27558 2	27839 2	27895 27	27417 275	27558 28401	01 28457	57 27839	39 29807	07 29948	8 30229	9 30369) N.A.	30791	31916	32057	33041
30	20218	20415	16450 1	18278 2	22777	26573	22074	27164 2	22777 2	24746 2	27558 2	27558 2	27614 27	27136 275	27558 28401	01 28457	57 27839	39 29807	07 29948	8 30229	9 30369) N.A.	30510	31635	31775	32760
31	20218	20415	16310 1	18137 2	22496	26011	21793	26601 2	22496 2	24464 2	26995 2	27276 21	27333 26	26855 275	27558 28120	20 28176	76 27557	57 29526	26 29666	6 30229	9 30369) N.A.	30510	31635	31775	32760
Η	21062	21259	18559 1	19262 2	24043	28120	23480	28570 2	24183 2	25870 2	29104 2	28682 28	28739 28	28542 288	28823 29526	26 29582	82 28964	54 30229	29 30369	9 30651	1 30791	•	32197	33322	33463	34447
L	18250	18447	14257 1	17153 2	22355	25589		25870 2		23340 2	26489 2	26292 20	26348 26	26292 257	25730 27136	36 27192		55 27839	39 27979	9 28401	1 28542	' 0	30369	31494	31775	32760
A	19759	19955	16428 1	18269 2	23167	26809	22518	27268	23174 2	24610 2	27764 2	27699 2	27756 27	27485 274	27456 28460	60 28516	16 27999	99 29233	33 29373	3 29721	1 29861	•	31191	32316	32473	33457
								Η=	= High	nest]	L = Lowest		$\mathbf{A} = \mathbf{A}\mathbf{V}$	erage	Average N.A. = Not Available	Not A	vailabl	e								

UPCOUNTRY SPOT RATES											(R	ls./Qtl)	
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2021-22 Crop May-June 2022					
Sr. No	. Growth	Grade Standard			Micronaire	Gravimetric Trash	Strength /GPT	30th 31	st 1st	2nd	3rd	4th	
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	20218 202 (71900) (719	218 19796 900) (70400)	19796 (70400)	19796 (70400)	19796 (70400)	
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	_ / / /	415 19993	19993 (71100)	19993 (71100)	19993 (71100)	
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	16450 163 (58500) (580	31016310000)(58000)	16310 (58000)	16310 (58000)	16310 (58000)	
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	18278 18 (65000) (645	137 18137 500) (64500)	18137 (64500)	18137 (64500)	18137 (64500)	
5	M/M (P)	ICS-104	Fine	23mm	4.5 - 7.0	4%	22	22777 22- (81000) (800	49621934000)(78000)	21371 (76000)	21090 (75000)	20809 (74000)	
6	P/H/R (U) (SG)				3.5 - 4.9	4.5%	26	(94500) (925	/	25167 (89500)	25589 (91000)	25308 (90000)	
7	M/M(P)/ SA/TL	ICS-105	Fine		3.0 - 3.4	4%	25	(78500) (775		20949 (74500)	20949 (74500)	20387 (72500)	
8	P/H/R(U)	ICS-105	Fine		3.5 - 4.9	4%	26	(96600) (946		25758 (91600)	26180 (93100)	25898 (92100)	
9	M/M(P)/ SA/TL/G	ICS-105			3.0 - 3.4	4%	25	(81000) (800		21652 (77000)	21652 (77000)	21090 (75000)	
	M/M(P)/ SA/TL	ICS-105	Fine		3.5 - 4.9	3.5%	26	(88000) (870		23902 (85000)	23902 (85000)	23621 (84000)	
11	P/H/R(U)	ICS-105	Fine		3.5 - 4.9	4%	27	(98000) (960	/	26152 (93000)	26573 (94500)	26292 (93500)	
12	M/M(P)	ICS-105	Fine		3.7 - 4.5	3.5%	27	(98000) (970	/	26714 (95000)	26995 (96000)	26714 (95000)	
13	SA/TL/K	ICS-105	Fine		3.7 - 4.5	3.5%	27	(98200) (972		26770 (95200)	27051 (96200)	26770 (95200)	
	GUJ	ICS-105	Fine		3.7 - 4.5	3%	27	(96500) (955	/ \ /	26292 (93500)	26573 (94500)	26292 (93500)	
	R(L)	ICS-105	Fine		3.7 - 4.5	3.5%	28	(98000) (980		26995 (96000)	27417 (97500)	27136 (96500)	
	M/M(P)	ICS-105	Fine		3.7 - 4.5	3.5%	28	(101000) (1000		27839 (99000)	· /	27979 (99500)	
	SA/TL/K	ICS-105				3%	28	(101200) (1002	/	· · · /	` /	28036 (99700)	
	GUJ				3.7 - 4.5	3%	28	(99000) (980		· · · · · · · · · · · · · · · · · · ·	27558 (98000) 20526	/	
	M/M(P)	ICS-105				3.5%	29	(106000) (1050					
	SA/TL/K/O M/M(P)	ICS-105 ICS-105				3%	29 30	(106500) (1055		29385 (104500) 30229	29666 (105500) (30510	29666 (105500) 30510	
	SA/TL/	ICS-105				3%	30	(107500) (1075					
	K / TN/O SA/TL/K/				3.5 - 4.2	3%	31	(108000) (1080					
	TN/O M/M(P)	ICS-100				4%	33	(N.A.) (N.	.A.) (N.A.) 510 30510	(N.A.) 30510	(N.A.) 30510	(N.A.) 30510	
	K/TN	ICS-107				3.5%	34	(108500) (1085					
	M/M(P)	ICS-107				4%	35	(112500) (1125					
	K/TN	ICS-107				3.5%	35	(113000) (1130		(113000)			
								(116500) (1165				(116500)	

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