

Weekly Publication of



**Cotton
Association
of India**

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2023-24 • No. 14 • 4th July, 2023 Published every Tuesday

Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033
Telephone: 8657442944/45/46/47/48 Email: cai@caionline.in
www.caionline.in

Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the period 4th July 2023 to 7th August 2023

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 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 prices edged lower as arrivals rose once again. Daily arrivals were reported at around 35k bales (approximately). As per Gujarat government data, around 20 lakh ha have been planted as of July 3 vs 15 lakh ha last year same time. The pace of planting has been good in Gujarat due to pre-monsoon rains and cyclonic rains in June.

• As per IMD data, India received 10% below normal rainfall in June. This deficit narrowed sharply from June 15, when it stood at 53%. While the monsoon arrival and spread across the country was initially delayed by 1-2 weeks, the progress has been swift in the last week of June and almost the entire country has now been covered. At present, the Marathwada cotton belt is indicating large deficiencies.

- Water levels in 110 out of the 146 reservoirs that are monitored by the Central Water Commission (CWC) are 40% or below their capacities, according to latest CWC data, raising concerns about irrigation activities during the rabi season and the availability of drinking water until May 2024.

International Markets

- ICE cotton futures were closed on Tuesday for the Independence Day holiday. Cotton futures have increased above 83 cents per pound, their highest since June 12th, amid stronger demand and recent data indicating acreage reduction among top producers of the fibre.

- Cotton also took a little support from the U.S. Department of Agriculture’s (USDA) annual acreage report that came on Friday. The USDA’s annual acreage report showed cotton planted area for 2023 at 11.087 million acres versus trader estimates of 11.119 million acres. All cotton planted area is down 19% from last year; American Pima area is estimated at 109,000 acres, down 40% from 2022, the USDA report said.

- Temperatures are expected to soar further across large parts of the world after the El Nino weather pattern emerged in the tropical Pacific for the first time in seven years, the World Meteorological Organization said. The target of keeping long-term global warming within 1.5 degrees Celsius is moving out of reach.

- China’s total cotton planting area has fallen 10.3% from last year, according to survey data by China Cotton Storage Information Centre. The country’s total cotton planting acreage as of May was 41.40 million mu, equivalent to 2.77 million hectares, the survey data showed. Acreage in the northwestern Xinjiang region, China’s leading cotton producing region, fell by 8.0% to 36.16 million mu, equivalent to 2.42 million hectares.

- USDA’s Planted Acres report issued in late June showed that U.S. cotton growers planted an estimated 11.1 million acres of upland and Pima cotton in 2023, down 19% from 2022.

Shankar 6 Guj ICS Price Trend

As mentioned in the previous update, an unexpected fall below 17,000 here could be disastrous for a fall towards 15,700-800. A possible double bottom formation and a positive divergence in indicators makes us believe that we have seen the bottom for now. Prices are gradually expected to edge higher to 17,000 or even higher to 18,000 in the coming weeks with the possibility to stretch even to 19,000 levels on the upside subsequently.

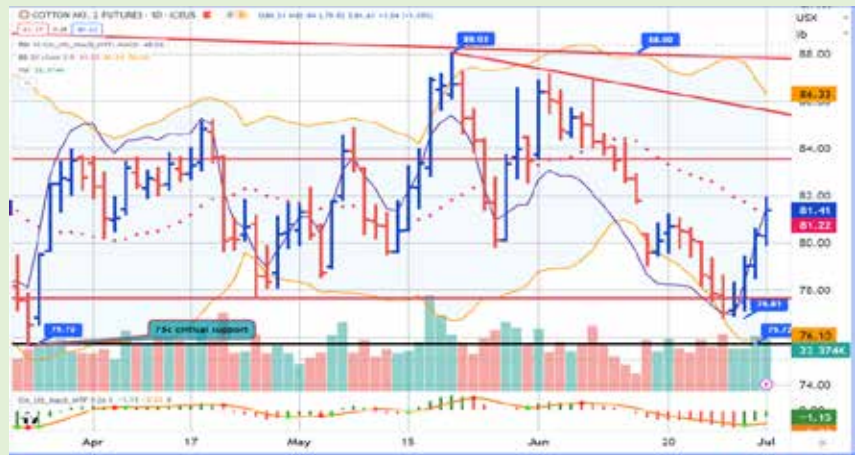
MCX Cotton Candy Aug: The selling pressure saw prices testing close to 54,000/candy before making a reversal from there. Key supports are in the 55,000-56,000 range now. After making a low of 53,860 on 28th June, it has entered a mean reversion mode aiming at 58000/60,075 in the coming



weeks. The first month continuation chart shows the possibility of an extended recovery towards 58600 also. Supports are near 56750 & 56550. Any unexpected fall below 56150 would warn about weakening towards 55750.

ICE Dec 23 Cotton Futures

The chart picture is mixed right now and broadly in a range with no clear direction. The lack of trend strength hints that the prevailing negative momentum might not be able to drive the price much lower, but a break below 75.00c must be respected as it might trigger a brief phase of bearish activity. Barring this extreme event, the chart looks more likely to spend the coming three to six month period in a range between the resistance and support levels at 84.50, 87.00 and 90.50c and supports are near 75.75 followed by 70.20/69.90c respectively.



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 makes 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. Current bottoming levels could be ideal opportunities to Buy Call options in ICE to take advantage of a possible rise in the near-term. However, to protect against falling inventory cost and unexpected bearish factors, one can take Put options in ICE around resistance levels by paying a premium, where losses will be minimum and profits unlimited. The current fall in prices were a good opportunity for physical buyers to have use PUT options to cushion the impact of falling cotton prices and thus the helping in inventory management. MCX Candy contracts recent launched should be a good testing ground for mills and exporters desirous of hedging their price risk in ICE futures and options.

Conclusion:

The domestic prices bounced off 54,000 per candy levels also close to the MSP levels, a strong support long-term support. As cautioned in the previous update, prices could take a shy at 56,000-57,000 before bottoming out completely. More negative factors continue to weigh on domestic markets by way of arrivals and weak demand. But price always has the ability to discount present weakness and look ahead where a weather premium could be built into prices. This is what could be likely happening in the local prices going forward. Strong resistance is presently noticed in the 60,000-61,000 per candy levels and may find it tough to cross that in the near-term.

Important support in ICE is at \$78c followed by \$75c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices are still at mild premium to ICE it has corrected from peaks. We expect prices to consolidate and gradually edge higher again. Weather in US and El Nino concerns globally could provide some tailwind to cotton prices in the coming months. The international price indicates that it is in the process of a consolidation before beginning an up move again.

For Shankar 6 Guj ICS supports are seen at 56,000 per candy and for ICE July cotton futures at \$78-80c. The domestic technical picture looks neutral to mildly bullish. Therefore, we can expect prices to consolidate in a broad range initially absorbing all the negatives and reverse with a mild bullish bias for the local prices and rise expected in the international markets too. Unexpected fall below key supports in ICE could change the picture to neutral.



COTTON ASSOCIATION OF INDIA

Cotton Association of India's HVI
Laboratories in the major cotton
growing regions of India





COTTON ASSOCIATION OF INDIA

Cotton Testing and Research Laboratory (NABL ACCREDITED & ISO 9001:2015 CERTIFIED)

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centers 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

CAI LABORATORIES AT DIFFERENT LOCATIONS

Sr.No.	Location	Address	Contact Details
1	Mumbai	2nd floor, Cotton Exchange Building, Opp. Cotton Green Railway Station, Cotton Green, Mumbai 400 033.	Mr. Sanket Shingote - 8691068976 laboratory.mb@caionline.in
2	Rajkot	Maruti Nandan Commercial Complex, In Side Ground Floor, Opp. Galaxy Hotel, Jawahar Road, Rajkot 360 001.	Mr. Hemal Vyas - 9924580810 laboratory.rk@caionline.in
3	Aurangabad	Awargaonkar Complex, Basement of Hotel Ramgiri, CIDCO, Jalna Road, Aurangabad 431 003.	Mr. Prasad Deodikar - 9922794884 laboratory.ag@caionline.in
4	Warangal	House No.8-3-163, Sri Krishna Colony, Ground Floor, Warangal 506 002.	Mr. Akash Gudimalla - 7601055471 laboratory.wl@caionline.in
5	Hubli	Center Point Building, Room No. 305, 3rd Floor, Opp. Sanjevani Press, New Cotton Market, Hubli - 580 029.	Mr. Pintu Basak - 8453697954 laboratory.hb@caionline.in
6	Bathinda	2nd Floor, Shop No. 4465, Bank Bazaar, Above State Bank of Bikaner & Jaipur Bank, Bathinda 151 001	Mr. Ankit Singh - 9695258862 laboratory.bt@caionline.in
7	Ahmedabad	101, Arth Complex, 1st Floor, Mithakali, 6 Rastha, Opp Passport Office, Near LG Showroom, Navrangpura, Ahmedabad 380 009.	Mr. Brijesh Mishra - 800090356 laboratory.ah@caionline.in
8	Adilabad	Door No. 3-2-29/13, Ground Floor, Ambedkar Chowk, SBH. Road, Near Canara Bank, Adilabad 504 001	Mr. Satish Bollu - 9640758670 laboratory.ad@caionline.in
9	Khargone	Ground Floor, Hotel P.M. Commercial Area, Opp. Agrawal Hotel, Near Bus Stand, Khargone - 451 001	Mr. Kishna Bisen - 9691073336 laboratory.kh@caionline.in
10	Yavatmal	First Floor, Veer Wamanrao Chowk, Drushti Sankul, Yavatmal 445 001	Mr. Jivan - 9763152502 laboratory.yl@caionline.in
11	Adoni	First Floor, NO. 17/104-7, Agri Market Yard Road, Adoni 518 301.	Mr. Naveen Kumar - 9390240024 laboratory.an@caionline.in
12	Jalgaon	52-B, Karmyog, Jila Peth, Behind Saibaba Mandir, Near Ambedkar Market, Jalgaon 425 001.	Mr. Pushpendra Singh - 8957143110 laboratory.jl@caionline.in

+91-865742947/48 | cai@caionline.in | www.caionline.in

USDINR Monthly Report: July 2023

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 81.60-82.95 for July 2023. Potential inflows, risk on domestic market sentiments with Nifty and Sensex trading at a life time high amid improving economic data and easing oil prices is expected to help Rupee. However, RBI is protecting both sides of the pair thus keeping USDINR in the range. Immediate support lies at 81.80 below which doors will be open for 81.60. While breach of crucial resistance of 82.20 will lead upside move towards 82.65-82.95.

- **FOMC Policy:** Next meeting is on 26th July 2023 and it is anticipated that Fed could raise the interest rates by 25 bps following a pause in June and series of upbeat US data.
- **Chinese Yuan:** CNH has slipped to 7-months low of 7.27, if it sustains above this then 7.35+ is expected. But if it respects 7.27 then on downside 7.20 is the key support zone below which 7.16-7.10 is the next support level.
- **Brent Oil Prices:** We can expect oil prices to move towards \$70.15 and then 66.30/bl as fears over economic slowdown especially in China may hurt oil demand outlook. This may also offset any positive impact of supply cuts from OPEC if any, in its meeting on 5th July

- **Current Account Deficit:** As current account moderates mainly due to fall in oil prices and commodities prices, Rupee is expected to gain slightly from 82.0 to possibly 81.60 as RBI continues to accrue Foreign Exchange from inflows and outflows moderate. Any upticks to the Rupee towards 83.0 should be a good level to sell the same as premiums fall.

- **Trade Balance:** With oil prices lower, the trade deficit is likely to shrink towards \$16-18 bn in coming months, ensuring the CAD narrows further. As per Reuters poll, the CAD is expected to average -1.5% of GDP this fiscal year and -1.8% next, compared with -2.0% in the fiscal year just ended

- **FII Flows:** India is believed to have received the highest equity inflow among emerging markets in June. With the Indian economy shining like a bright spot in a troublesome global macro backdrop, FII investment on Dalal Street has crossed the \$10 billion mark in FY24, propelling Nifty to a record peak above the 19000 mark. With more potential FIIs inflows in pipeline in July may strengthen the Rupee.

- **FX Reserves:** RBI will continue to buy dollars at lower levels and absorb the inflows. We can once again see reserves to reach \$610+ bn mark in coming few weeks. The current level of foreign reserves is enough for around 11 months of imports.

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

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 June - July 2023					
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	17519 (62300)	17519 (62300)	17519 (62300)	17519 (62300)	17659 (62800)	17800 (63300)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	17659 (62800)	17659 (62800)	17659 (62800)	17659 (62800)	17800 (63300)	17940 (63800)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	12935 (46000)	12766 (45400)	12710 (45200)	12710 (45200)	12766 (45400)	12851 (45700)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)
5	M/M (P)	ICS-104	Fine	23mm	4.5 - 7.0	4%	22	15466 (55000)	15185 (54000)	14904 (53000)	14622 (52000)	14622 (52000)	14622 (52000)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	14875 (52900)	14735 (52400)	14594 (51900)	14594 (51900)	14735 (52400)	14904 (53000)
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	15044 (53500)	14904 (53000)	14763 (52500)	14763 (52500)	14904 (53000)	15072 (53600)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	13638 (48500)	13498 (48000)	13498 (48000)	13498 (48000)	13638 (48500)	13779 (49000)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	14482 (51500)	14341 (51000)	14341 (51000)	14341 (51000)	14482 (51500)	14622 (52000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	15747 (56000)	15607 (55500)	15607 (55500)	15607 (55500)	15747 (56000)	15916 (56600)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	15185 (54000)	15044 (53500)	15044 (53500)	15044 (53500)	15185 (54000)	15382 (54700)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	15241 (54200)	15100 (53700)	15100 (53700)	15100 (53700)	15241 (54200)	15438 (54900)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	15410 (54800)	15269 (54300)	15269 (54300)	15325 (54500)	15410 (54800)	15522 (55200)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	15663 (55700)	15522 (55200)	15522 (55200)	15522 (55200)	15663 (55700)	15747 (56000)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	15466 (55000)	15325 (54500)	15325 (54500)	15325 (54500)	15466 (55000)	15663 (55700)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	15494 (55100)	15353 (54600)	15353 (54600)	15353 (54600)	15494 (55100)	15691 (55800)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	15747 (56000)	15607 (55500)	15607 (55500)	15607 (55500)	15691 (55800)	15803 (56200)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	15747 (56000)	15607 (55500)	15607 (55500)	15607 (55500)	15747 (56000)	15944 (56700)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	15775 (56100)	15635 (55600)	15635 (55600)	15635 (55600)	15775 (56100)	15972 (56800)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	15972 (56800)	15832 (56300)	15832 (56300)	15832 (56300)	15972 (56800)	16169 (57500)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	16028 (57000)	15888 (56500)	15888 (56500)	15888 (56500)	16028 (57000)	16225 (57700)
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.)	N.A. (N.A.)	N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	19684 (70000)	19684 (70000)	19684 (70000)	19684 (70000)	19825 (70500)	19825 (70500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	19825 (70500)	19825 (70500)	19825 (70500)	19825 (70500)	19965 (71000)	19965 (71000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	20106 (71500)	20106 (71500)	20106 (71500)	20106 (71500)	20246 (72000)	20246 (72000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	20331 (72300)	20331 (72300)	20331 (72300)	20331 (72300)	20471 (72800)	20471 (72800)

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