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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 6th July 2021 to 3rd August 2021

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 Dow Jones, 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

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.

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

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 in MCX are higher on rising demand and decreased crop size. CAI has reduced the crop size by 4 lakh bales (each of 170 kg) to 356 lakh bales. CAI has increased the consumption estimate for the current crop year by 10 lakh bales to 325 lakh bales from its previous

estimate of 315 lakh bales and cotton exports for 2020-21 are projected to increase by 7 lakh bales to 72 lakh bales. A lower consumption outlook for India on the back of the pandemic could be compensated by higher expected demand in China, Bangladesh, and Turkey, which is driving higher imports for these countries.

- According to preliminary data on India's trade in goods in June 2021 released by the Ministry of Commerce and Industry of India, exports of cotton yarn / textiles / cosmetics, hand-woven products, etc. from India will be higher in June 2021 compared to June 2019. It surged 50.86%. Among other textile categories, export of man-made yarn/fabrics/made-ups etc jumped by 23.66 per cent, while handicrafts, excluding hand-made carpet, exports rose 18.83 per cent during June 2021, when compared with June 2019.

- However, the second wave of COVID-19 hampered the market's recovery that had begun after the suppression of the first wave due to efforts of the government and industry stakeholders. The sudden rise of cases during April-May led to lockdowns in various states and impacted industrial operations.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures rose more than 1pc on Friday buoyed by a weaker dollar and tracking an uptick in grains, but were still headed for a weekly dip after the USDA's acreage projections drove a sharp slide earlier this week. Global cotton production is projected to recover in 2021/22, after recording the lowest levels in the last 4 seasons in 2020/21, the International Cotton Advisory Committee (ICAC) said on Thursday. Consumption gained 12.5pc in 2020/21 and further improvement is projected for next season, recovering after the slowdown in the last year, the ICAC said.

- The US Department of Agriculture (USDA)'s weekly crop progress report showed 52% of the crop was in good to excellent condition, versus 45% a week ago, while 96% was planted versus 90% the week before.

- Meanwhile, the speculators raised net long positions in cotton futures by 1,412 contracts to 49,712 in week to June 15, the data showed on Monday.





Guj ICS Price Trend

As mentioned in the previous update, we expected to prices to test support levels and edge higher again. Prices have decisively broken the 14,000 zone which was a strong resistance so far for the past ten years, opening the way for 15,000 levels in the coming month or even higher. Strong supports are noted around 14,100-200 levels. But, a fall below 13,800 could hint at a stronger correction lower.

ICS July Contract Chart

The MCX benchmark cotton finally broke the key resistance at 24,000 opening the way for 25,000 immediately, or even higher, which could be the next point of attraction in the coming weeks. However, it could be volatile and some corrections can be seen before rising higher.

ICE Cotton Futures

As mentioned before, only, a direct rise above 88.50-89c could lift prices all the way

higher towards 96c or even higher. Also, as mentioned previously, prices could spend some time in consolidation in the 80-90c zone 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. For now, prices could test supports at \$83-85c followed by 78c on the downside and then breakout higher.

Conclusion

The domestic prices are hinting at more upside in the coming weeks, but with the possibility of a strong downside correction on the back of any weather aberrations. International cotton futures still continue to display bullish tendencies with possibilities of breakout on the upside to 95-96c immediately and further higher crossing the \$1 mark eventually. Important support is at 83-84c on the downside and in that zone, prices could find a lot of buying interest.

The domestic prices are racing higher, inclined to test resistances and even break higher and make new highs. The international price indicates that it is just beginning to move higher as well and medium-term still looks quite bullish. We believe price could get supported around 83-84c range and gradually edge higher to levels mentioned above.

For Guj ICS supports are seen at 14,000/qtl and for ICE May cotton futures at 84c followed

by 78c. The domestic technical picture looks bullish now, while the international prices are relatively more bullish compared to the domestic prices. We expect domestic prices to continue edging higher slowly from current levels. Therefore, we expect more bullishness ahead in domestic markets, and the international prices to gain sharply higher.

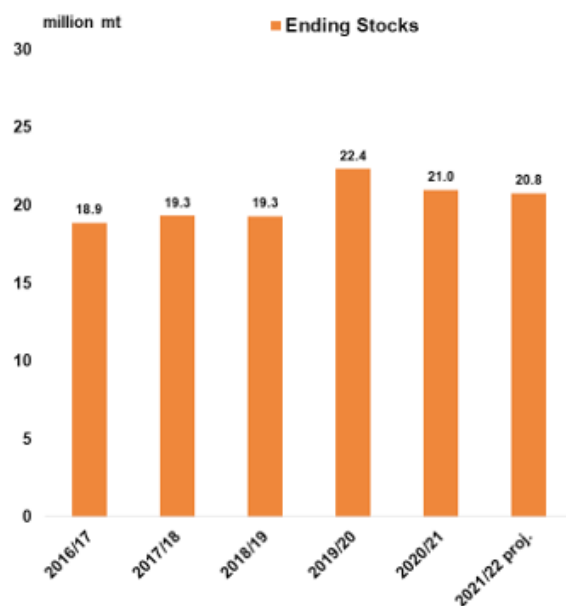
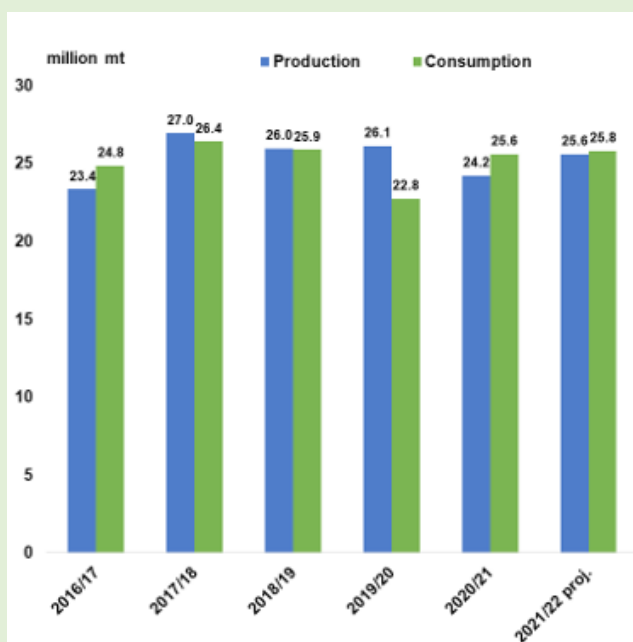
A Recovery is Expected for Consumption and Trade in the 2021/22 Season

After one of the most traumatic and disruptive years in living memory, people are ready for some good news for a change – and the July 2021 Cotton This Month report provides that good news (or at least the expectation of it).

After a 7% decrease in 2020/21, production is projected to return to pre-pandemic levels next year. Even better, global consumption has recovered from 2019/20 to post a 12.5% increase to 25.59 million tonnes in 2020/21 and is projected to improve further to 25.8 million tonnes next season.

Lower production combined with higher demand will cause ending stocks to decline for the first time in four years to stand at 20.96 million tonnes – a level similar to what was recorded in 2015/16. Ending stocks are forecasted to decline further in 2021/22 to 20.77 million tonnes, as mill use is expected to exceed production

Cotton trade is recovering after the slowdown in 2019/20, especially as the global economy improves. Exports in 2020/21 have increased by 11.75% compared to 2019/20 and should remain at that level in 2021/22.



Source: Cotton This Month, ICAC, 1st July 2021

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.

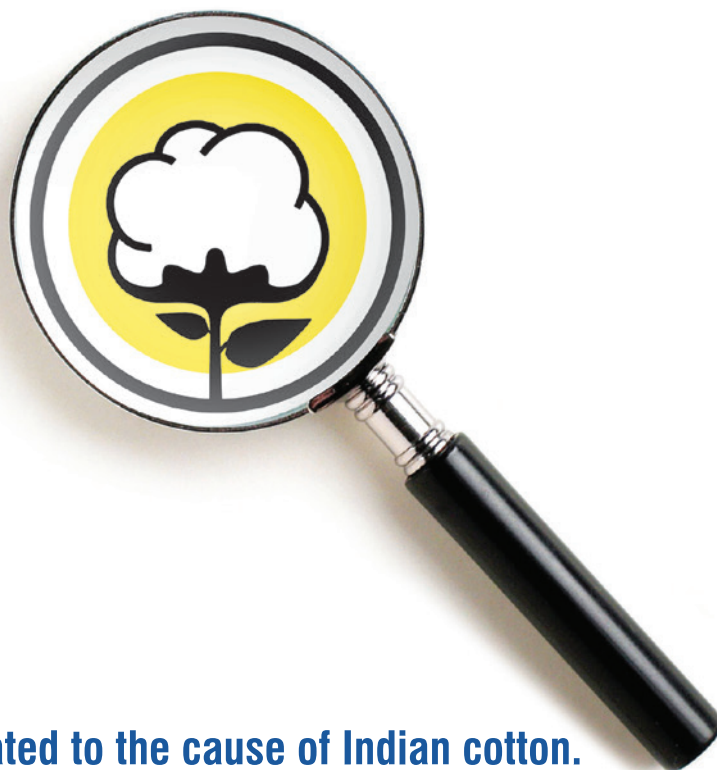
We earnestly request you to avail the facility of testing at the Association's laboratories.



Cotton Association of India

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

Just one of the reasons, you should use our Laboratory Testing Services.

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 :** Kargone • **Karnataka :** Hubli • **Punjab :** Bathinda • **Telangana:** Warangal, Adilabad



**COTTON
ASSOCIATION
OF INDIA**

Established 1921
ISO 9001:2015

COTTON ASSOCIATION OF INDIA

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UPCOUNTRY SPOT RATES								(Rs./Qtl)					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	Spot Rate (Upcountry) 2020-21 Crop June - July 2021					
								28th	29th	30th	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	11782 (41900)	11782 (41900)	11782 (41900)	11782 (41900)	11782 (41900)	11782 (41900)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	9645 (34300)	9645 (34300)	9645 (34300)	9561 (34000)	9561 (34000)	9561 (34000)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	11698 (41600)	11698 (41600)	11698 (41600)	11698 (41600)	11698 (41600)	11698 (41600)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	13413 (47700)	13413 (47700)	13413 (47700)	13385 (47600)	13441 (47800)	13498 (48000)
7	M/M(P)/ SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	13554 (48200)	13554 (48200)	13554 (48200)	13526 (48100)	13582 (48300)	13638 (48500)
9	M/M(P)/ SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)
10	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	13273 (47200)	13273 (47200)	13273 (47200)	13273 (47200)	13273 (47200)	13273 (47200)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	13779 (49000)	13779 (49000)	13779 (49000)	13751 (48900)	13807 (49100)	13863 (49300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	13835 (49200)	13835 (49200)	13835 (49200)	13779 (49000)	13779 (49000)	13835 (49200)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	13863 (49300)	13863 (49300)	13863 (49300)	13807 (49100)	13807 (49100)	13863 (49300)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	14060 (50000)	14060 (50000)	14060 (50000)	14004 (49800)	14004 (49800)	14060 (50000)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	14060 (50000)	14060 (50000)	14060 (50000)	14032 (49900)	14088 (50100)	14144 (50300)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	14229 (50600)	14229 (50600)	14229 (50600)	14172 (50400)	14172 (50400)	14229 (50600)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	14257 (50700)	14257 (50700)	14257 (50700)	14201 (50500)	14201 (50500)	14257 (50700)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	14566 (51800)	14566 (51800)	14566 (51800)	14510 (51600)	14510 (51600)	14566 (51800)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	15072 (53600)	15072 (53600)	15072 (53600)	15072 (53600)	15072 (53600)	15072 (53600)
22	SA/TL/ K / TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	15100 (53700)	15100 (53700)	15100 (53700)	15100 (53700)	15100 (53700)	15100 (53700)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	23621 (84000)	23621 (84000)	23621 (84000)	23621 (84000)	23621 (84000)	24183 (86000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	24324 (86500)	24324 (86500)	24324 (86500)	24324 (86500)	24324 (86500)	24886 (88500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	24886 (88500)	24886 (88500)	24886 (88500)	24886 (88500)	24886 (88500)	25449 (90500)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	25308 (90000)	25308 (90000)	25308 (90000)	25308 (90000)	25308 (90000)	25870 (92000)

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