Weekly Publication of

Cotton Association of India

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2017-18 • No. 17 • 25th July, 2017 Published every Tuesday

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

Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 25/07/17 to 31/08/17

(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.

EXPERT's Column

Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

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 bounced back higher despite expectations of higher production. Despite erratic weather, the cotton sector is confident of an increase of about 12% in production in 2017-18, as farmers are not interested in sowing pulses and soyabean. The industry has pegged cotton production estimate at 380 million bales against 340 million bales produced last year.

• The cotton output is expected to hit a three-year high due to switching from other crops. According to ICAC, the Indian cotton area is expected to expand by 7 % to 11.3 million hectares, and assuming that the yield is similar to the 4-year average of 528 kg/ha, the production could increase by 3 % to 6 million tons in 2017-18.

• The Cotton Association of India (CAI) has released its June – 2017 estimate of the cotton crop for the season 2016-17 beginning from 1st October 2016. In its latest estimate, the CAI has estimated cotton crop for the 2016-17 crop year at 337.25 lakh bales of 170 kgs. each.

• The torrential rain in the state has hurt sowing and has resulted in damaging 30% of the cotton and groundnut crop where sowing had been completed. Sowing this season had progressed faster than last year.

Some of the fundamental drivers for International cotton prices are:

• ICE cotton futures edged down on Wednesday ahead of weekly U.S. export sales data on Thursday. It has been trading sideways for the past two to three weeks and is simply uncertain.

• The 2017-18 US production is estimated at 19.2 million bales, while exports have declined to 13.5 million bales amid higher production estimation from other producing countries. Meanwhile, domestic use and beginning stocks have been left unchanged at 3.4 million bales and 3.2 million bales respectively. However, the ending stock is projected higher at 5.5 million bales, up by 0.5 million bales from the preceding month's report.

• The speculators reduced their bullish stance in cotton by 5,761 contracts to 15,060 contracts, as per last Friday's U.S. Commodity Futures Trading Commission data.

Since late May, they have been unwinding their net long position in the commodity to the smallest since April 2016.

Technical indications are still neutral now. Prices are moving in a broad range and still sticking around the 11,800-12,200/qtl range. Prices are still finding it difficult to sustain and push higher and could be vulnerable for a drop in the coming months if they fail to find momentum. With the cap at 12,300, we can expect prices to edge lower towards 11,220/qtl. Once above 12,200, they could aim for 12300-400 levels.

As mentioned previously, indicators are still in a neutral state and prices could remain range bound for a while till some clear directional clues are obtained. We see support now in the 11,300-400 /qtl range followed by more important support at 10,800 /qtl zone. It looks like the upward trend is unlikely to materialise and more pressure on the downside is likely in the coming weeks. The indicators still display neutral tendencies and corrective upticks can be strongly capped in the coming month.

MCX June contract continuation chart

The MCX benchmark October cotton chart shows signs of an intermediate bottom around 17,740 levels. A recovery is expected at around 19,000 levels in the coming session. We expect prices to find strong resistances there in the coming sessions and eventually decline again towards 17,500 or even lower. A close above 19,200 however, could revive bullish hope for 19,700 subsequently.

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

A pullback and recovery was seen in the weekly/daily charts as expected. As expected, July tested close to 75/76c area where it was met with strong resistances. Now, December active month is indicating a mixed picture with a bearish bias. Charts' structures are bearish for a fall to the 65.00/64.00 area. Resistance levels around 69.20/69.70 could cap upticks if any. Any unexpected rise above 69.85 might lessen the chances for the expected fifth wave type of decline and further upside to 70/71c can be seen. Our favoured view is mildly bullish initially for 69/70 levels again. We now expect prices to get resisted there before heading lower to 64-65c again.

CONCLUSION:

Both the domestic and international prices are gradually moving in a range with a bearish bias. The technical picture presently is neutral with some mild indications of bullishness. Only a rise above 71c could revive bullish hopes again. The international prices indicate some near-term strength while the domestic prices look benign.

For Guj ICS supports are seen at 11,800 /qtl followed by 11,400 /qtl, and for ICE July cotton futures at 72c followed by 70c. Failure to follow-through higher above 12,500 /qtl has weakened the bullish picture in the domestic markets. In the international markets prices are indicating a possible bearish turnaround, and the indicators have turned neutral. The international markets are now expected to edge lower to 64c on the downside and the domestic prices to edge lower around 10,800/qtl levels in the coming weeks after a minor recovery upwards.

Excerpts from India Meteorological Department's Weather Report of July 20, 2017

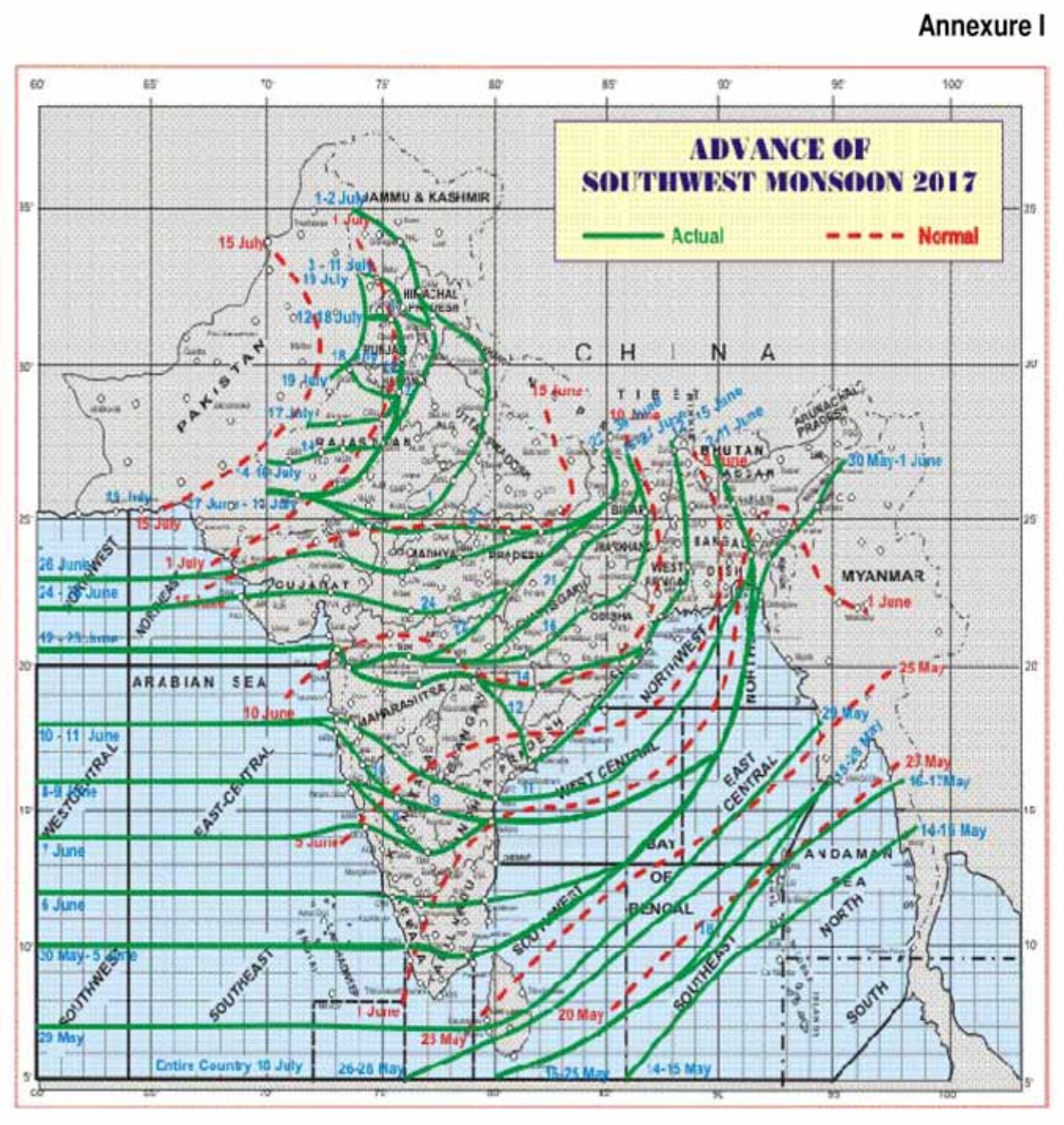
Forecast for next two week

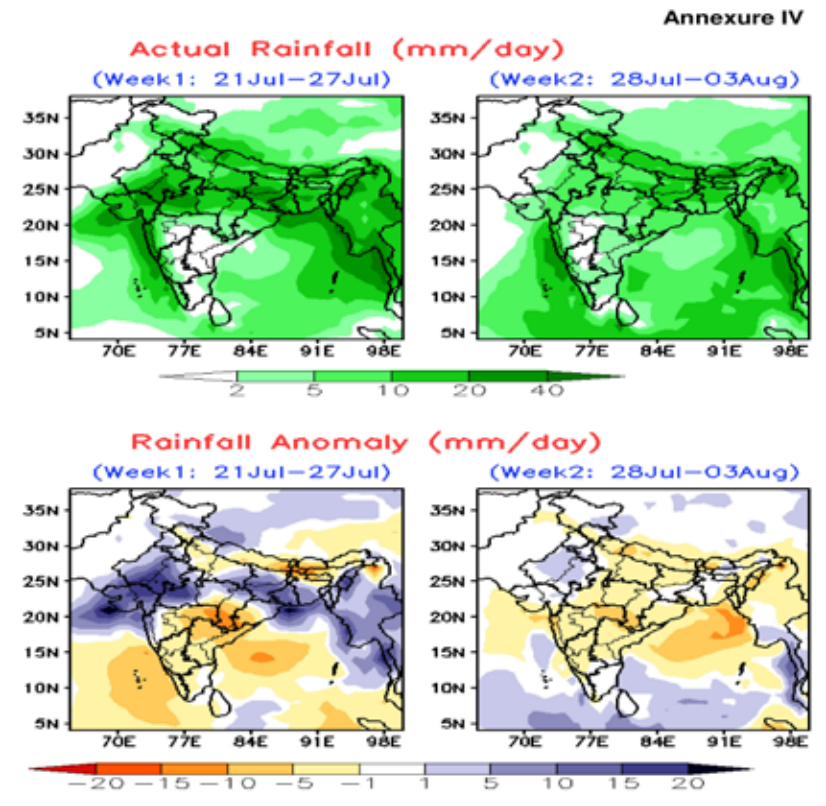
Rainfall/snowfall:

Under the influence of two low pressure areas, over central parts of north Madhya Pradesh & neighbourhood and over Kutch & neighbourhood, monsoon is very likely to be in its active phase over most parts of the country during 1st week.

Heavy to very heavy rainfall at isolated places with extremely heavy falls very likely to occur over Gujarat state, Konkan & Goa and Madhya Maharashtra during first half of the 1st week (20-26 July 2017) and decrease in intensity thereafter. Heavy to very heavy rainfall on many days with isolated extremely heavy rainfall on one or two days of the week is also likely to occur over Rajasthan during 1st week.

Annexure I





Isolated heavy to very heavy rainfall is likely to occur along the west coast during 1st week and isolated heavy rainfall activity on many days over Western Himalayan region (particularly Uttarakhand) of the 1st week.

Overall rainfall activity is likely to be above normal as India as a whole and central parts of the country during 1st week (Annexure IV).

During 2nd week (27 July to 02 August), there is very likely to decrease in rainfall activity as compare to 1st week. Overall rainfall activity is likely to be below normal over India as a whole during 2nd week (Annexure IV).

Rainfall Distribution (01.06.2017 to 21.07.2017)

Sr. No.	State	Day 21.07.2017				Period 01.06.2017 to 21.07.2017			
		Actual (mm)	Normal (mm)	% Dep.	Cat.	Actual (mm)	Normal (mm)	% Dep.	Cat.
1	Punjab	2.5	5.6	-55%	D	180.9	167.6	8%	N
2	Haryana	3.7	6.0	-39%	D	175.2	152.7	15%	N
3	West Rajasthan	8.3	3.2	160%	LE	159.8	99.3	61%	LE
	East Rajasthan	15.8	9.1	74%	LE	204.6	206.9	-1%	N
4	Gujarat	13.1	8.1	62%	LE	351.9	283.2	24%	E
	Saurashtra & Kutch	11.3	6.8	66%	LE	334.3	220.8	51%	E
5	Maharashtra	14.2	10.8	32%	E	476.2	432.2	10%	N
	Madhya Maharashtra	17.1	7.6	126%	LE	378.1	309.1	22%	E
	Marathwada	3.5	6.1	-43%	D	256.8	256.7	0%	N
	Vidarbha	4.9	11.3	-57%	D	355.0	379.6	-6%	N
6	West Madhya Pradesh	25.0	10.3	143%	LE	301.8	289.3	4%	N
	East Madhya Pradesh	28.7	11.1	159%	LE	393.2	368.8	7%	N
7	Telangana	1.4	9.3	-85%	LD	334.9	285.8	17%	N
8	Coastal Andhra Pradesh	0.4	5.3	-93%	LD	273.5	205.9	33%	E
	Rayalseema	0.1	3.1	-97%	LD	126.6	125.6	1%	N
9	Coastal Karnataka	30.1	37.5	-20%	D	1508.7	1659.7	-9%	N
	N.I. Karnataka	5.4	4.8	12%	N	195.3	191.7	2%	N
	S.I. Karnataka	8.7	7.0	24%	E	217.3	290.1	-25%	D
10	Tamil Nadu & Pondicherry	0.6	2.4	-73%	LD	72.0	89.5	-20%	D
11	Orissa	4.2	13.6	-69%	LD	472.0	440.1	7%	N

L. Excess, Excess, Normal, Deficient, L. Deficient
Source : India Meteorological Department, Hydromet Division, New Delhi

Growth In Capacity Of Cotton / Man-Made Fibre Textile Mills (Non SSI)

YEAR	NO. OF MILLS			INSTALLED CAPACITY		
	SPINNING	COMPOSITE	TOTAL	SPINDLES (Mn.)	ROTORS (000)	LOOMS (000)
31-03-2005	1566	223	1789	34.24	385	86
31-03-2006	1570	210	1780	34.14	395	73
31-03-2007	1608	200	1808	35.61	448	69
31-03-2008	1597	176	1773	35.01	461	56
31-03-2009	1653	177	1830	37.03	485	57
31-03-2010	1673	180	1853	37.68	494	57
31-03-2011	1757	183	1940	42.69	518	52
31.03.2012	1761	196	1957	43.31	523	52
31.03.2013	1771	198	1969	44.17	546	52
31.03.2014	1757	197	1954	44.47	553	51
31.03.2015	1776	200	1976	45.08	565	52
31.03.2016	1779	201	1980	46.00	581	53
31.03.2017	1803	205	2008	47.12	587	53
2015-16 (P)						
April	1776	200	1976	45.09	565	52
May	1776	200	1976	45.09	565	52
June	1776	200	1976	45.10	565	52
July	1776	200	1976	45.24	565	52
August	1776	200	1976	45.08	565	52
September	1776	201	1977	45.54	511	52
October	1778	201	1979	45.57	515	52
November	1778	201	1979	44.65	573	52
December	1778	201	1979	44.69	575	52
January	1778	201	1979	45.82	579	53
February	1779	201	1980	46.02	581	53
March	1779	201	1980	46.00	581	53
2016-17 (P)						
April	1781	201	1982	46.14	578	53
May	1784	201	1985	46.18	579	53
June	1787	201	1988	46.42	583	53
July	1792	204	1996	46.85	583	53
August	1797	204	2001	46.73	586	53
September	1798	204	2002	46.94	586	53
October	1800	204	2004	46.97	586	53
November	1803	204	2007	47.04	586	53
December	1803	204	2007	47.07	587	53
January	1803	205	2008	47.12	587	53
February	1803	205	2008	47.12	587	53
March	1803	205	2008	47.12	587	53
2017-18 (P)						
April	1803	205	2008	47.12	587	53
May	1803	205	2008	47.12	587	53
June	1803	205	2008	47.12	587	53

P - Provisional

Source : Office of the Textile Commissioner

CAI'S June Estimate Places Cotton Crop For 2016-17 Season At 337.25 Lakh Bales

Cotton Association of India (CAI) has released its June estimate of the cotton crop for the season 2016-17 beginning from 1st October 2016. In its latest estimate, the CAI has estimated cotton crop for the 2016-17 crop year at 337.25 lakh bales of 170 kgs. each.

The projected Balance Sheet drawn by the CAI estimated total cotton supply for the season at 409.25 lakh bales while the domestic consumption is estimated at 305.00 lakh bales. A statement containing State-wise estimate of the Cotton Crop and the Balance Sheet for the cotton season 2016-17 with the corresponding data for the previous season is given below.

As per the CAI estimate, over 95% of the crop for the season has already arrived in the market.

CAI's Estimates of Cotton Crop as on 30th June 2017 for the Seasons 2016-17 and 2015-16

(in lakh bales)

State	Production *		Arrivals As on 30th June 2017 (2016-17)
	2016-17	2015-16	
Punjab	8.75	7.50	8.50
Haryana	20.50	17.00	20.00
Upper Rajasthan	7.25	5.50	7.25
Lower Rajasthan	9.25	10.50	9.25
Total North Zone	**45.75**	**40.50**	**45.00**
Gujarat	89.00	88.00	81.00
Maharashtra	88.00	78.00	86.50
Madhya Pradesh	20.50	18.75	20.00
Total Central Zone	**197.50**	**184.75**	**187.50**
Telangana	48.00	58.00	47.50
Andhra Pradesh	18.50	24.00	17.50
Karnataka	17.00	18.50	16.00
Tamil Nadu	5.50	7.00	4.75
Total South Zone	**89.00**	**107.50**	**85.75**
Orissa	3.00	3.00	3.00
Others	2.00	2.00	2.00
Total	**337.25**	**337.75**	**323.25**

*Note: (1) * Including loose*
(2) Loose figures are taken for Telangana and Andhra Pradesh separately as proportionate to the crop for the purpose of accuracy

The Balance Sheet drawn by the Association for 2016-17 and 2015-16 is reproduced below:-

(in lakh bales)

Details	2016-17	2015-16
Opening Stock	45.00	67.25
Production	337.25	337.75
Imports	27.00	22.00
Total Supply	**409.25**	**427.00**
Mill Consumption	270.00	275.00
Consumption by SSI Units	25.00	25.00
Non-Mill Use	10.00	10.00
Total Domestic Demand	**305.00**	**310.00**
Available Surplus	**104.25**	**117.00**
Exports	63.00	72.00
Closing Stock	**41.25**	**45.00**

UPCOUNTRY SPOT RATES

(Rs./Qtl)

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	Spot Rate (Upcountry) 2016-17 Crop JULY 2017					
							17th	18th	19th	20th	21st	22nd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	10151 (36100)	10151 (36100)	10151 (36100)	10151 (36100)	10151 (36100)	10095 (35900)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10348 (36800)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8183 (29100)	8070 (28700)	8014 (28500)	7986 (28400)	7986 (28400)	7986 (28400)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9448 (33600)	9364 (33300)	9336 (33200)	9308 (33100)	9308 (33100)	9308 (33100)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10545 (37500)	10461 (37200)	10432 (37100)	10404 (37000)	10404 (37000)	10404 (37000)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12092 (43000)	12007 (42700)	11895 (42300)	11810 (42000)	11614 (41300)	11473 (40800)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9645 (34300)	9729 (34600)	9729 (34600)	9729 (34600)	9786 (34800)	9729 (34600)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	10376 (36900)	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10348 (36800)
9	P/H/R	ICS-105	Fine	27mm	3.5.4.9	26	12317 (43800)	12232 (43500)	12120 (43100)	12035 (42800)	11838 (42100)	11698 (41600)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	10517 (37400)	10573 (37600)	10573 (37600)	10573 (37600)	10601 (37700)	10545 (37500)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10995 (39100)	11023 (39200)	11023 (39200)	11023 (39200)	11023 (39200)	10967 (39000)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12373 (44000)	12288 (43700)	12176 (43300)	12092 (43000)	11895 (42300)	11754 (41800)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	11473 (40800)	11529 (41000)	11529 (41000)	11529 (41000)	11557 (41100)	11501 (40900)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	11389 (40500)	11445 (40700)	11445 (40700)	11417 (40600)	11417 (40600)	11360 (40400)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	11895 (42300)	11951 (42500)	11951 (42500)	11951 (42500)	11979 (42600)	11923 (42400)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	11782 (41900)	11838 (42100)	11838 (42100)	11810 (42000)	11810 (42000)	11754 (41800)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12176 (43300)	12232 (43500)	12232 (43500)	12232 (43500)	12260 (43600)	12232 (43500)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12429 (44200)	12429 (44200)	12429 (44200)	12429 (44200)	12429 (44200)	12373 (44000)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12795 (45500)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15747 (56000)	15607 (55500)	15466 (55000)	15382 (54700)	15325 (54500)	15325 (54500)

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