

Weekly Publication of



Cotton  
Association  
of India

# COTTON STATISTICS & NEWS

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## Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures  
for the period 2nd July 2022 to 5th Sept 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 the international markets. He also writes a fortnightly column on a blog site for The Economic Times on Global commodities and Forex markets. He

### Domestic Markets

- The domestic cotton August futures is finding it difficult to cross 45,000 levels convincingly. A combination of lower realisations and good monsoon rains have led farmers to move away from pulses and plant more commercial crops, especially soyabean and cotton that are trading much higher than their minimum support prices (MSP).

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.

### EXPERT'S Column



**Shri Gnanasekar Thiagarajan**  
Director, Commtrendz Research

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.

- Trade will continue to monitor the rainfall pacing in Maharashtra, M.P ., Telangana and Gujarat. In Maharashtra, as regional reports suggest. excess rainfall in July has impacted kharif crops including cotton. Crops in parts of Marathwada (~4 lakh ha) and Vidharbha (~6 lakh ha) have been damaged due to excess rainfall. India's cotton planting is reaching near end with nearly 117 lakh ha planted so far. There

are expectations that total planted area might reach 125-127 lakh ha more than the 120 lakh ha odd planted last year.

- Yarn prices have recovered from recent lows on better demand. Product prices were hit badly due to weak demand on the back of recessionary fears and high-priced raw material. Any geo-political concern from China and Taiwan could weigh on yarn exports very badly going forward.

### International Markets

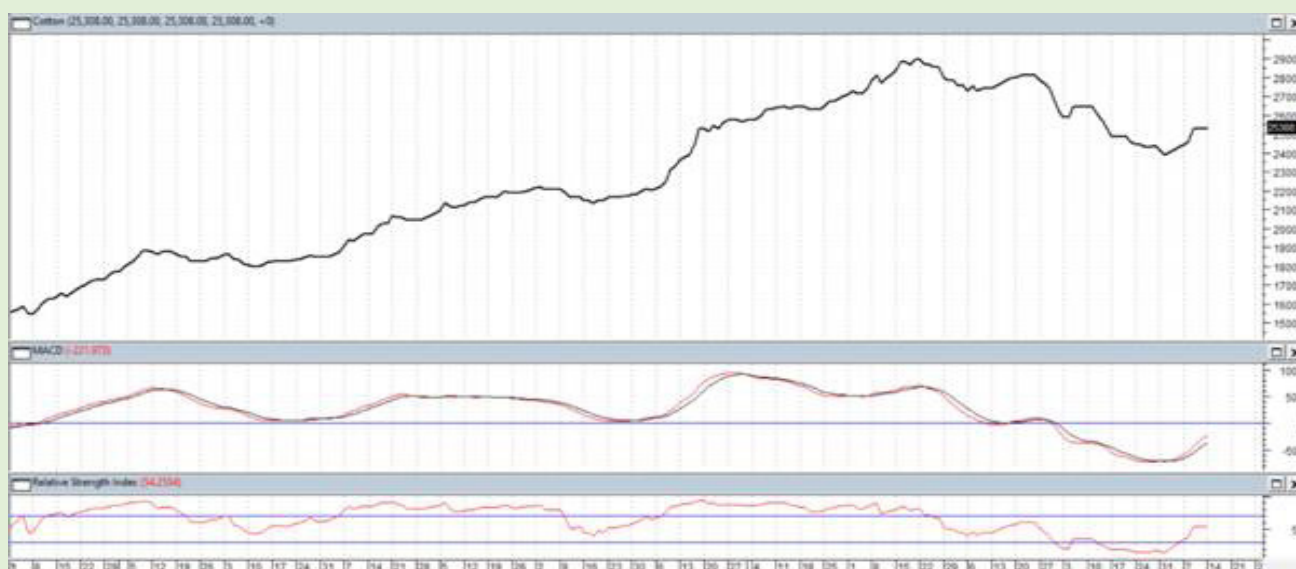
- ICE cotton futures tumbled more than 3% on Monday on worries about Chinese demand for the natural fibre, while also succumbing to pressure from weaker grain and oil markets. China is one of the biggest consumers of U.S. cotton. Chicago wheat and corn fell as the first grains ship from Ukraine raised hopes that sea-borne cereals' exports can resume on a large scale after being blocked by war. Pressure on overall grains, as the first shipments left a Ukrainian port since the start of war, and the U.S. Midwest weather not being as extreme as previously expected.

- Also adding pressure, oil prices dropped sharply as weak manufacturing data in several countries weighed on demand outlook. Lower oil prices make polyester, a substitute for cotton, less expensive. The market is now looking ahead to the USDA's Aug WASDE release, which is likely to show a sharp reduction in the U.S. production projection; world aggregate world production is also likely to be significantly lower Vs July.

- For the active Dec 22 contract there was an increase in unfixed call sales by a meagre 78 lots to 59282 lots. Dec contract has not witnessed any considerable mill fixations resulting in reduction in unfixed call sales contracts over past two to three weeks. This suggests that mills have not taken advantage of fixing the contracts in this recent fall.

### Shankar 6 GUJ ICS Price Trend

As mentioned in the previous update, we expected prices to gradually edge lower to 25,000 or even lower. It has bounced from 24,000 levels and shows some more upside potential to 26,500 levels where it could struggle to cross. It could eventually drop lower to 21,000 in the coming months. But it could consolidate for a while in a broad range before declining.



### MCX Aug Contract Chart

The MCX benchmark cotton prices after testing an all-time high of 50,330 have been steadily declining lower, resulting in a much-needed correction. Shorter-term charts suggest that the price would stay under 45,400/45,500 levels and drift down towards a critical short-term support at 44,550. Break below this level could expose it to 44,200/44,100 or even 43,350. Rise above 45,500 would hint that a breakout type rally would start towards 45,800 and then towards 46,150. In the bigger picture we



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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:

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**Current locations :** • Maharashtra : Mumbai; Yavatmal; Aurangabad; Jalgaon • Gujarat : Rajkot; Ahmedabad • Andhra Pradesh : Adoni  
 • Madhya Pradesh : Khargone • Karnataka : Hubli • Punjab : Bathinda • Telangana: Warangal, Adilabad



#### COTTON ASSOCIATION OF INDIA

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anticipate prices to edge lower eventually towards 37,000, a Fibonacci retracement level as seen in the chart below from where a possible intermediate bottom can be seen.



### ICE Dec Cotton Futures



ICE Cotton December futures has been witnessing constant selling pressure after testing highs at \$1.33 and has seen a sharp decline with rising volumes, a typical sign of bulls exiting the market. Funds have been exiting the longs that they continued to hold for over a year now. The 82c support has held so far and a broad range of 82-95c is expected in the coming weeks. There is a threat of this 82c giving way for next important support at 77-78c or even lower to 75c a Fibonacci retracement point.

There were several opportunities for hedging the high price risk for buyers, who were forced to contract cotton at recent higher prices and a handful did take that route. But the rest are still groping in the dark, cursing the markets and every other person/entity and never reflecting on the mistake that they make over and over again, unable to learn from past experiences that happened in 2018 or even before. Making mistakes is fine, but learning from it and ensuring it doesn't come to haunt us again is wise. 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.

### Conclusion:

The domestic prices have corrected sharply lower from recent highs. As mentioned before, price could ideally see a potential test of 75,000-77,000 per candy in the near-term where it can find a possible near-term bottom. However, more negative factors continue to weigh on domestic markets, which makes us feel a further downside even to 70,000 is likely in the coming months.

Important support is at \$82c followed by \$75-77c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices have not fallen lower relative to international prices due to poor stocks. We expect a broad range for the prices to move in the coming month before edging lower eventually. Prices will now be falling in line with fundamentals, while external factors like On-call sales and speculative fund activity in unlikely to influence it any major way. The international

price indicates that it is in the process of a more downward correction in the coming sessions.

For Guj ICS supports are seen at 23,500/qtl and for ICE May cotton futures at \$82c followed by \$75c. The domestic technical picture looks weak and could grind lower eventually. It could however find traction from time to time based on news flows. Therefore, we can expect prices to be range bound with a bearish bias for both the domestic and international markets.

## USDINR Monthly Report: August 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*

### EXPERT'S Column



*Shri. Anil Kumar Bhansali  
Head of Treasury,  
Finrex Treasury Advisors LLP*

We expect USDINR to trade in the range of 78.50-80.20 for August 2022. Major events in focus will be the outcome of RBI policy on 5th August and Jackson Hole Symposium event on 25th -27th August. DXY as well as oil price movement, FII flows and RBI stance to maintain stability in Rupee will be closely observed. Rupee has depreciated to 80.0 levels as US\$ has strengthened, US rate hike bets, FII outflows, worries over widening trade deficit and dollars buying by oil companies have supported upside move in USDINR. However, RBI has closely monitored the foreign exchange market and tried its best by taking appropriate steps to maintain stability in Rupee, which resulted in FII inflows at the month-end thus curbing the Rupee depreciation.

Following will be the key triggers for USDINR in the month of August 2022:-

- **RBI Policy outcome:** The Reserve Bank of India (RBI) committee is scheduled to meet on 3rd-5th August 2022, and it is anticipated that it could raise the interest rates by 35-50bps in August.
- **Jackson Hole Symposium event:** The 2022 Economic Policy Symposium, "Reassessing Constraints on the Economy and Policy," will be held on 25th -27th August 2022. Each year since 1978, the Federal Reserve Bank of Kansas City arranges a symposium in Jackson Hole, Wyoming, thus bringing together central bank heads, economists, financial market participants, academics, US government

representatives and news media to discuss long-term policy issues of mutual concern.

- **Geo-political issues:** Investors will remain sensitive to any news regarding US-China tensions, China's retaliation act over Pelosi's visit to Taiwan, Russia-Ukraine war crisis, Russia-Europe gas supply related updates and will react accordingly, thus affecting the market sentiments. Escalation in any situation will create volatility in the market.

• **Brent oil prices:** Fall in oil prices have provided some respite to the Rupee in July, but Brent oil continued to remain elevated above \$100/bl on supply tightness concerns and as there is limited room for major producers such as Saudi Arabia to boost production. This resulted in widening of trade deficit. However, investors still worry that recession fear may dent fuel demand which may ease oil prices till \$97.0-94.50 levels. Traders will also keep a watch on OPEC+ meet outcome on 3rd August for further cues.

• **FII flows:** Domestic markets finally witnessed inflows in July after experiencing heavy outflows for prior nine months in a row. RBI has taken steps to attract inflows that helped to boost FII buying in domestic markets. From Oct 2021-Jun 2022 total outflows counts at \$35.66 bn. In CY 2022 from January to July total outflows stands at \$29.496 bn, with July alone witnessing FII's buying of \$0.239 bn. '

• **Trade Balance:** India's trade deficit in June 2022 ballooned to a new record of \$26.18 bn, with exports valued at \$40.13 bn, up 23.5% on year and imports at \$66.31 bn, up 57.55% y/y.

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



# COTTON ASSOCIATION OF INDIA



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SAY NO TO CHILD LABOUR**





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) 2021-22 Crop July 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	25th	26th	27th	28th	29th	30th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	16450 (58500)	16591 (59000)	16591 (59000)	16872 (60000)	17153 (61000)	17153 (61000)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	16647 (59200)	16788 (59700)	16788 (59700)	17069 (60700)	17350 (61700)	17350 (61700)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	14341 (51000)	14482 (51500)	14622 (52000)	14904 (53000)	15185 (54000)	15185 (54000)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	16310 (58000)	16310 (58000)	16310 (58000)	16310 (58000)	16591 (59000)	16591 (59000)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	18419 (65500)	18419 (65500)	18419 (65500)	18419 (65500)	18700 (66500)	18700 (66500)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	22158 (78800)	22158 (78800)	22552 (80200)	22833 (81200)	23115 (82200)	23115 (82200)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	19262 (68500)	19262 (68500)	19262 (68500)	19262 (68500)	19262 (68500)	19262 (68500)
8	P/H/R (U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	22383 (79600)	22383 (79600)	22777 (81000)	23058 (82000)	23340 (83000)	23340 (83000)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	19262 (68500)	19262 (68500)	19262 (68500)	19543 (69500)	19543 (69500)	19543 (69500)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	21090 (75000)	21090 (75000)	21090 (75000)	21371 (76000)	21371 (76000)	21371 (76000)
11	P/H/R (U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	22974 (81700)	22974 (81700)	23818 (84700)	24099 (85700)	24380 (86700)	24380 (86700)
12	M/M (P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	23424 (83300)	23508 (83600)	23930 (85100)	24211 (86100)	24211 (86100)	24211 (86100)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	23480 (83500)	23564 (83800)	23986 (85300)	24267 (86300)	24267 (86300)	24267 (86300)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	23564 (83800)	23761 (84500)	24183 (86000)	24183 (86000)	24183 (86000)	24183 (86000)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	23340 (83000)	23340 (83000)	23621 (84000)	23902 (85000)	24183 (86000)	24183 (86000)
16	M/M (P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	24267 (86300)	24352 (86600)	24774 (88100)	25055 (89100)	25055 (89100)	25055 (89100)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	24324 (86500)	24408 (86800)	24830 (88300)	25111 (89300)	25111 (89300)	25111 (89300)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	24464 (87000)	24605 (87500)	25308 (90000)	25308 (90000)	25308 (90000)	25308 (90000)
19	M/M (P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	24464 (87000)	24464 (87000)	25027 (89000)	25308 (90000)	25589 (91000)	25589 (91000)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	24605 (87500)	24605 (87500)	25167 (89500)	25449 (90500)	25730 (91500)	25730 (91500)
21	M/M (P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	25027 (89000)	25027 (89000)	25589 (91000)	25870 (92000)	26152 (93000)	26152 (93000)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	25252 (89800)	25252 (89800)	25814 (91800)	26095 (92800)	26376 (93800)	26376 (93800)
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	26855 (95500)	26855 (95500)	26855 (95500)	27136 (96500)	27136 (96500)	27136 (96500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	27698 (98500)	27698 (98500)	27698 (98500)	27979 (99500)	27979 (99500)	27979 (99500)
26	M/M (P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	27839 (99000)	27839 (99000)	27839 (99000)	28120 (100000)	28120 (100000)	28120 (100000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	28682 (102000)	28682 (102000)	28682 (102000)	28964 (103000)	28964 (103000)	28964 (103000)

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