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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 3rd August 2021 to 6th September 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 depleting stocks. Strong demand from cotton market and depleting stocks in addition to the 10 per cent import duty levied on cotton have collectively caused cotton prices in India to soar.

- The high demand has caused cotton stock with the CCI to deplete to around 9 lakh bales (which would be its opening stock at the beginning of the next season on October 1), which in turn pushed up the prices. The Corporation had close to 115 lakh bales of cotton at the start of the current season in October 2020 and procured 92 lakh bales during the season. Farmers are increasingly shifting from cotton to soybean, with India reporting cotton sowing of 108.93 lakh hectares as of the third week of July, compared to 118.03 lakh hectares during the same time in 2020.
- Additionally, the U.S.A, the largest producer of cotton in the world, slipped down as the state of Texas faced a severe drought last year, thus causing cotton prices in India to firm up since December 2020.
- The Southern India Mills' Association (SIMA) had recently expressed its concerns over the rapidly rising cotton prices in the country. The SIMA chairman had also appealed to the central government to immediately withdraw the 10 per cent import duty on cotton to change the market sentiment and avoid further damage to the cotton textile value chain.

Some of the fundamental drivers for international cotton prices are:

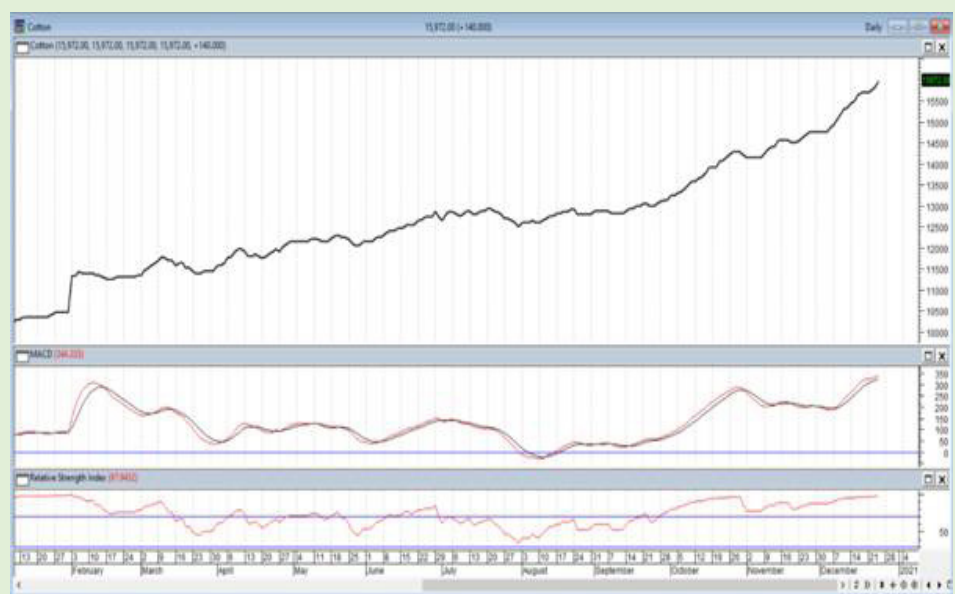
- ICE cotton was helped up by strength in the stock market and gains on Monday, their first session in a critical month for the crop. Contracts for December rose 0.8 cent, or 0.9%, to 90.19 cents per lb. They traded within a range of 89.01 and 90.2 cents a lb.
- Meanwhile, prices are balanced between good demand and what could be some record yields in some U.S. states, with Texas doing quite well. There's a prospect of a very good planting in Australia, so the market is balanced.
- The U.S. Department of Agriculture weekly crop progress report released on Monday showed 60% of the U.S. crop was in good-to-excellent condition, compared with 61% a week ago, and 45% a year ago.

Guj ICS Price Trend

As mentioned in the previous update, we expected the prices to test support levels and edge higher again opening the way for 15,000 levels in the coming month or even higher. Prices have moved exactly as per expectations. Currently, it is looking a bit overdone and a strong correction will be seen shortly towards 14,500-700.

MCX Aug Contract Chart

The MCX benchmark cotton finally broke the key resistance at 24,000 opening the way for higher levels as per our expectations. At the present levels of 27,000, it indicates extreme overbought conditions, but after a minor correction to 26,200-300, could edge higher back again towards 28,000 levels



in the coming weeks. The trend is looking strong, but one has to be cautious, as such extreme moves have resulted in strong retracements subsequently.

ICE Cotton Futures

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 strong resistances at 95-96c, which might need strong fundamental triggers beyond what is present currently. Supports on the downside are seen at \$86-87c now.



Conclusion

The domestic prices are hinting at some more upside in the coming weeks, but with the possibility of a strong downside correction subsequently. 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 86-87c 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 86-87c range and gradually edge higher to levels mentioned above.

For Guj ICS supports are seen at 15,000/qtl and for ICE Dec cotton futures at 86c followed by 84c. The domestic technical picture looks bullish now, but extreme overbought conditions warn of an impending downside correction. 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 with possibilities of sharp corrections from time to time in domestic markets, and the international prices to gain sharply higher.

All India Weather Summary and Forecast

Weather Forecast for next 5 days

◆ Meteorological sub-division wise detailed 5 days precipitation forecast is given in Table-1.

◆ No significant change in maximum temperatures over most parts of the country during next 5 days.

Table-1
5 Day Rainfall Forecast (MID-DAY)
02-August-2021

Met-Sub-Division	02-Aug Today	03Aug Tue	04Aug Wed	05Aug Thu	06Aug Fri
1. Andaman & Nicobar Islands	FWS	FWS	FWS	WS	WS
2. Arunachal Pradesh	FWS	SCT	SCT	SCT	SCT
3. Assam & Meghalaya	FWS	FWS	SCT	SCT	FWS
4. N. M. M. & T.	FWS	SCT	SCT	SCT	FWS
5. S.H. West Bengal & Sikkim	WS	WS	WS	FWS	FWS
6. Gangetic West Bengal	SCT	FWS	WS	WS	FWS
7. Odisha	SCT	SCT	FWS	FWS	FWS
8. Jharkhand	SCT	SCT	SCT	FWS	FWS
9. Bihar	FWS	FWS	FWS	FWS	FWS
10. East Uttar Pradesh	SCT	SCT	FWS	FWS	FWS
11. West Uttar Pradesh	FWS	SCT	SCT	FWS	WS
12. Uttarakhand	WS	WS	WS	WS	WS
13. Haryana, Chd & Delhi	FWS	FWS	SCT	SCT	SCT
14. Punjab	SCT	SCT	SCT	SCT	SCT
15. Himachal Pradesh	FWS	FWS	FWS	FWS	FWS
16. J & K and Ladakh	SCT	SCT	SCT	SCT	SCT
17. West Rajsthan	SCT	SCT	SCT	SCT	ISOL
18. East Rajasthan	WS	WS	WS	WS	FWS
19. West Madhya Pradesh	WS	WS	WS	WS	WS
20. East Madhya Pradesh	WS	FWS	FWS	WS	WS
21. Gujarat Region	FWS	FWS	SCT	SCT	ISOL
22. Saurashtra & Kutch	SCT	SCT	ISOL	ISOL	ISOL
23. Konkan & Goa	WS	WS	WS	WS	WS
24. Madhya Maharashtra	SCT	SCT	SCT	SCT	SCT
25. Marathawada	ISOL	ISOL	ISOL	ISOL	ISOL
26. Vidharbha	SCT	SCT	FWS	FWS	FWS
27. Chhattisgarh	SCT	SCT	FWS	FWS	FWS
28. Coastal A. P. & Yanam	ISOL	ISOL	ISOL	ISOL	ISOL
29. Telangana	ISOL	ISOL	ISOL	ISOL	ISOL
30. Rayalaseema	ISOL	ISOL	ISOL	ISOL	ISOL
31. T.N.,Puducherry & Karaikal	ISOL	ISOL	ISOL	ISOL	ISOL
32. Coastal Karnataka	WS	WS	WS	WS	WS
33. North Interior Karnataka	SCT	SCT	SCT	SCT	SCT
34. South Interior Karnataka	SCT	SCT	SCT	SCT	SCT
35. Kerala & Mahe	FWS	FWS	FWS	WS	WS
36. Lakshadweep	SCT	SCT	SCT	SCT	FWS

% Station Reporting Rainfall

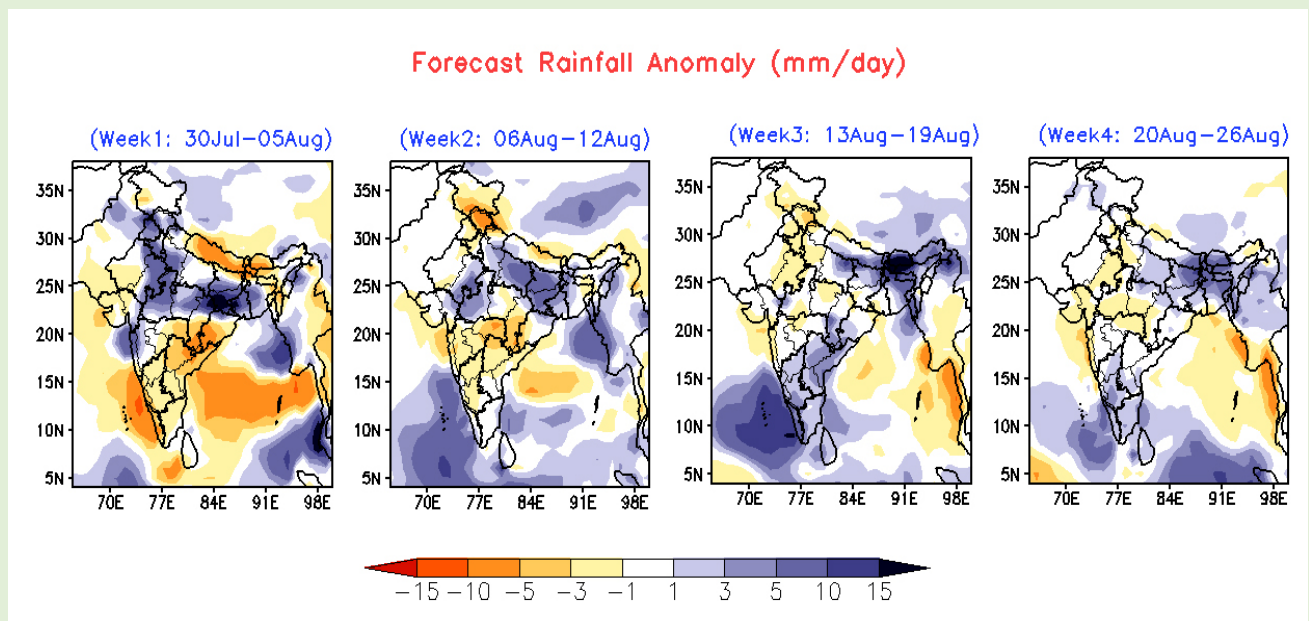
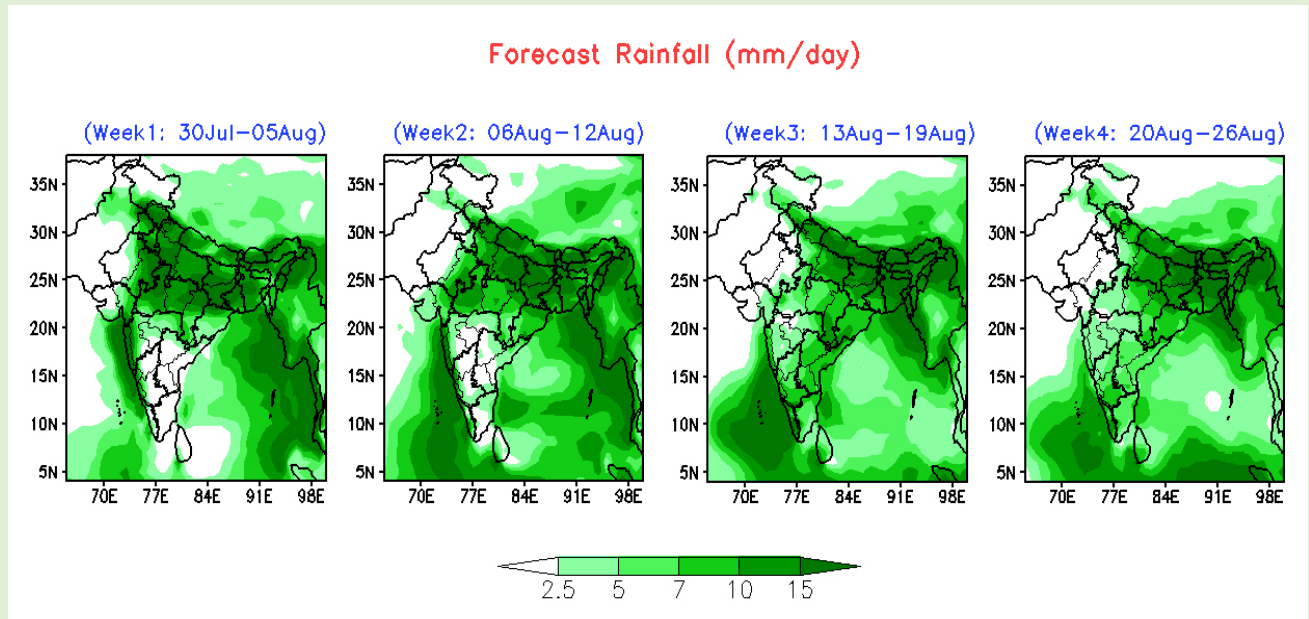
% Stations	Category	% Stations	Category
76-100	Widespread (WS/Most Places)	26-50	Scattered (SCT/ A Few Places)
51-75	Fairly Widespread (FWS/ Many Places)	1-25	Isolated (ISOL)
No Rain	Dry		

Weather Outlook for subsequent 2 days from 07th August 2021 to 09th August 2021

◆ Weak monsoon conditions likely over southern peninsula and normal monsoon conditions over the northern parts of the country.

◆ Fairly widespread to widespread rainfall likely over Northeastern parts of the country, parts of Central India & plains of Northwest India and along the West coast; scattered to fairly widespread rainfall likely over many parts of East India and Western Himalayan Region and isolated rainfall over rest parts of the country.

Extended Range Model Guidance





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 : Khargone • Karnataka : Hubli • Punjab : Bathinda • Telangana: Warangal, Adilabad



COTTON ASSOCIATION OF INDIA

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UPCOUNTRY SPOT RATES

July 2021
2020-21 Crop

Growth	Grade-Standard	Grade	Staple	P/H/R (SC)			Guj	Kar	M(M/P)	P/H/R (U)		M(M/P)	M(M/P)	SA/TL/K	P/H/R (U)		M(M/P)	M(M/P)	SA/TL/K	Guj	R(L)	M(M/P)	SA/TL/K		M(M/P)	M(M/P)	SA/TL/K		M(M/P)	M(M/P)	SA/TL/K	TL/K/TN/O	M(M/P)	K/TN	M(M/P)	K/TN	M(M/P)																			
				Below	22 mm	27 mm				26 mm	27 mm				27 mm	28 mm							28 mm	29 mm			29 mm	30 mm										30 mm	31 mm	32 mm	34 mm	34 mm	35 mm	35 mm												
				5.0-7.0	4.0-5.5	3.0-3.4				4.0-5.5	3.0-3.4				3.0-3.4	3.5-4.9							3.5-4.9	3.5-4.9			3.5-4.9	3.5-4.9										3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9

H = Highest L = Lowest A = Average

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) 2020-21 Crop July 2021					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	26th	27th	28th	29th	30th	31st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	11895 (42300)	11895 (42300)	11951 (42500)	12092 (43000)	12092 (43000)	12092 (43000)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	12063 (42900)	12063 (42900)	12120 (43100)	12260 (43600)	12260 (43600)	12260 (43600)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	10011 (35600)	10011 (35600)	10067 (35800)	10151 (36100)	10208 (36300)	10208 (36300)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	10545 (37500)	10545 (37500)	10601 (37700)	10686 (38000)	10742 (38200)	10742 (38200)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	11951 (42500)	11951 (42500)	12007 (42700)	12092 (43000)	12148 (43200)	12148 (43200)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	14369 (51100)	14369 (51100)	14426 (51300)	14510 (51600)	14594 (51900)	14594 (51900)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	12570 (44700)	12570 (44700)	12626 (44900)	12710 (45200)	12795 (45500)	12738 (45300)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	14510 (51600)	14510 (51600)	14566 (51800)	14650 (52100)	14735 (52400)	14679 (52200)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	12879 (45800)	12879 (45800)	13020 (46300)	13160 (46800)	13244 (47100)	13188 (46900)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	14172 (50400)	14172 (50400)	14313 (50900)	14454 (51400)	14538 (51700)	14482 (51500)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	14819 (52700)	14819 (52700)	14875 (52900)	14960 (53200)	15044 (53500)	14988 (53300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	14904 (53000)	14904 (53000)	14960 (53200)	15044 (53500)	15129 (53800)	15072 (53600)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	14932 (53100)	14932 (53100)	14988 (53300)	15072 (53600)	15157 (53900)	15100 (53700)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	15185 (54000)	15185 (54000)	15241 (54200)	15325 (54500)	15410 (54800)	15410 (54800)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	15072 (53600)	15072 (53600)	15129 (53800)	15213 (54100)	15297 (54400)	15241 (54200)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	15410 (54800)	15410 (54800)	15466 (55000)	15550 (55300)	15635 (55600)	15578 (55400)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	15438 (54900)	15438 (54900)	15494 (55100)	15578 (55400)	15663 (55700)	15607 (55500)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	15691 (55800)	15691 (55800)	15747 (56000)	15832 (56300)	15972 (56800)	15972 (56800)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	15832 (56300)	15832 (56300)	15888 (56500)	15972 (56800)	16056 (57100)	16056 (57100)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	15860 (56400)	15860 (56400)	15916 (56600)	16000 (56900)	16085 (57200)	16085 (57200)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	16028 (57000)	16028 (57000)	16085 (57200)	16169 (57500)	16253 (57800)	16253 (57800)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	16056 (57100)	16056 (57100)	16113 (57300)	16197 (57600)	16281 (57900)	16281 (57900)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	16310 (58000)	16310 (58000)	16366 (58200)	16450 (58500)	16535 (58800)	16535 (58800)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	25280 (89900)	25420 (90400)	25420 (90400)	25561 (90900)	25561 (90900)	25561 (90900)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	26152 (93000)	26292 (93500)	26292 (93500)	26433 (94000)	26433 (94000)	26433 (94000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	26714 (95000)	26855 (95500)	26855 (95500)	26995 (96000)	26995 (96000)	26995 (96000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	27136 (96500)	27276 (97000)	27276 (97000)	27417 (97500)	27417 (97500)	27417 (97500)

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