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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the Period 5th September 2023 to 9th October 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

Domestic Markets

- The domestic prices remained steady helped by sporadic buying and weather concerns aiding sentiment. Arrivals were still in the 15-20k bales. Farmers seemed to have switched more to pulses and oilseeds this season from cotton as kapas is a long-duration crop harvested over 4-5 pickings. The first picking itself takes 100-120 days, with subsequent ones following every 15-20 days.

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.

Given its long duration and being a relatively water-intensive crop, cotton needs a minimum of 5-6 irrigations, especially during the flowering, bud and boll formation stages.

- Below average rainfall is expected over most of India in September. At least 290 millimetres of rainfall are needed from August 22 to September 30, 2023 for the remaining monsoon to be normal.

- Cotton yarn prices edged higher as market participants anticipate gains in cotton yarn prices in the coming days, bolstered by modestly increased demand expected over the next two to three weeks. A surge in cotton prices further buoyed sentiment in the yarn trade.

International Markets

- ICE cotton futures dipped more than 3% on 5th Sept. on a strong dollar and as investors booked profits after the natural fibre hit a 13-month high in the previous session. The December contract last Friday hit its highest in more than a year on lower crop production estimates from China, which is the biggest consumer of U.S. cotton. Also, more-than-usual rain in China's Xinjiang region this month, may impact the quality and quantity of cotton in the country.

- As expected, ninety cents were the trigger point for grower pricing as seen by a large volume of new forward contracts on Friday. Demand is still lacking as last week's export sales of 66,000 bales reflects. Until this improves, advances will be limited.

- There's some potential for improvement as the weather forecasts show some rains for the next week in the West Texas region which could also be keeping the market from advancing any further for the moment. Overall, the U.S. crop conditions were unchanged in last week's report. However, a closer look state by state, showed declines in AL, Ga, NC and Ok. This week expect further declines following the aftermath of Idalia. Early maturing cotton, of which there was a great deal, was hardest hit because it had the most open bolls.

- The September world supply demand report will be released on Sept. 12. The world crop will likely be projected lower with only minimal changes in consumption. Thus, world ending stocks are likely to shrink. Nevertheless, world carryover will still be 87 million bales or more – a bit too big for much price improvement.

Shankar 6 Guj ICS Price Trend

As mentioned in the previous update, a possible double bottom formation and a positive divergence in indicators makes us believe that we have seen the bottom for now. As expected, prices have edged higher to edge higher to 17,200. More upside looks likely to 18,000 in the coming weeks with possibility to stretch even to 19,000 levels on the upside subsequently. Any corrections to 15,000-500 levels looks quite supportive now.



MCX Cotton Candy Nov: After prices bottomed out near 54,000/candy before making a reversal from there, a smart bounce to 60,000 was seen. But it could not follow through higher. Key supports are in the 57,000 range now. As mentioned previously, a consolidation in the 58,000-60,000 range can be seen before

climbing higher towards 62,000 or even higher in the coming month. Prices have tested 63,000 per candy so far and show an inclination to test 63,800-64,000 also in the coming weeks.

ICE Dec 23 Cotton Futures

The chart picture suggest it is more likely to stay under 89.40c and dip towards 87.85/87.50c initially with an outside chance of extending to 86.70. Subsequently, we expect more upside again. Any unexpected rise above 89.40 could take it towards 90.05 or even higher to 93c in the short-term.



As mentioned in the previous update, we will not rule out a possibility of an extension to 95-97c on ICE Dec futures due to supply side worries in the U.S., India and China.



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, indicating a strong-long-term support. As cautioned in the previous update, prices could pull back towards 64,000-65,000 levels again. Most negative factors relating to demand have been priced in largely as, price always has an ability to discount present weakness and look ahead where a weather premium could be built into prices. Also, the demand picture could turn friendly as global economies rebound. Strong resistance is presently noticed in the 62,000 per candy levels presently and may find it tough to cross that in the near-term.

Important support in ICE is at \$85-86c followed by \$81-82 on the downside and in that zone, prices could find a lot of buying interest again. We expect prices to consolidate and gradually edge higher again. Weather in the U.S. 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 breakout higher post the consolidation beginning an up move again.

For Shankar 6 Guj ICS supports are seen at 58,000 per candy and for ICE July cotton futures at \$83-84c now. 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 continue with a bullish bias for the local prices and strong up move expected in the international markets too.

USDINR Monthly Report: September 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 wide range of 82.0 -83.50 for September 2023. Concerns over rising oil prices, slowdown in equity inflows, Yuan depreciation and strength in US dollar with Fed keeping a cautiously hawkish tone is expected to keep Rupee on depreciation mode. However, with RBI protecting upper sides of USDINR may limit upside. Immediate support lies at 82.55 below which doors will be open for 82.35 and 82.05. While breach of crucial resistance of 82.95 will lead upside move towards 83.20-83.50.

Key Triggers

FOMC Policy: Fed last raised its benchmark lending rate by 25 bps to 5.50% in July as expected to the highest level since 2001 to tackle above-target inflation and signalled the possibility of further increases ahead. Next meeting is on 20th September 2023 and it is anticipated that Fed will keep interest rates unchanged in September but may hike in November.

Chinese Yuan: Rising worries over slow growth in China, the world's second-largest economy may depreciate in coming days. If yuan sustains above 7.34 then 7.37 and 7.43+ is expected. But if it falls below 7.26 then 7.20-7.16 is the next support level.

Brent Oil Prices: We can expect oil prices to move towards \$90.0+ levels buoyed by growing evidence of supply shortages in the coming months amid production cuts from OPEC members and tropical storm off the US Gulf Coast that disrupted the production.

Trade Balance: With falling trade deficit, India's current account deficit is likely to narrow to about \$10 billion, or 1% of the GDP in the April-June quarter of the ongoing fiscal, according to India Ratings. The trade deficit is likely to shrink towards

\$16-18 bn in coming months, ensuring the CAD to narrow. But, risks from a global slowdown may affect the exports and if oil prices sustain above \$90/bl then this may put some pressure on CAD.

FII Inflows: Despite drop in flows India still attracted the highest level of foreign investment so far in August compared to other emerging and developed markets. Indian economy is booming with Q1 2024 GDP growth hitting 7.8% y/y Vs 6.1% in prior quarter and still remains the shining spot to invest with steady growth outlook. FPIs have invested in Indian equities, accumulating a total of over \$15bn for this calendar year.

FX Reserves: RBI will continue to buy dollars at lower levels to absorb the inflows and sell at higher levels to prevent sharp upside. We can once again see reserves to reach \$600+ bn mark in coming few weeks. The current level of foreign reserves is enough for around 10-11 months of imports.

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

Celebrating Nariyali Poornima

Members of the Cotton Association of India performed the annual ritual of Dariya Poojan at Girgaum Chowpatty on Wednesday, the 30th August 2023. CAI Additional Vice-President Shri Vinay N. Kotak and others performed the pooja and prayed for all-year-long prosperity of the cotton trade.



COTTON ASSOCIATION OF INDIA



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**A CHILD'S CHILDHOOD IS FOR LEARNING
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SAY NO TO CHILD LABOUR**

UPCOUNTRY SPOT RATES													
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 August - September 2023					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	28th	29th	30th	31st	1st	2nd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	16422 (58400)	16366 (58200)		16366 (58200)	16366 (58200)	16591 (59000)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	16563 (58900)	16506 (58700)		16506 (58700)	16506 (58700)	16731 (59500)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	13357 (47500)	13357 (47500)	H	13357 (47500)	13498 (48000)	13638 (48500)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	14172 (50400)	14172 (50400)		14172 (50400)	14229 (50600)	14369 (51100)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	15522 (55200)	15522 (55200)	O	15522 (55200)	15578 (55400)	15719 (55900)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	15438 (54900)	15269 (54300)		15353 (54600)	15353 (54600)	15494 (55100)
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	15635 (55600)	15466 (55000)	L	15550 (55300)	15550 (55300)	15691 (55800)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	15269 (54300)	15269 (54300)		15325 (54500)	15466 (55000)	15607 (55500)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	15944 (56700)	15972 (56800)		16056 (57100)	16113 (57300)	16253 (57800)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	16225 (57700)	16056 (57100)	I	16141 (57400)	16141 (57400)	16281 (57900)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16619 (59100)	16647 (59200)		16731 (59500)	16788 (59700)	16928 (60200)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16675 (59300)	16703 (59400)		16788 (59700)	16844 (59900)	16984 (60400)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	16647 (59200)	16675 (59300)	D	16759 (59600)	16900 (60100)	17069 (60700)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	16366 (58200)	16366 (58200)		16450 (58500)	16506 (58700)	16675 (59300)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	16900 (60100)	16928 (60200)	A	17013 (60500)	17069 (60700)	17209 (61200)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16928 (60200)	16956 (60300)		17041 (60600)	17097 (60800)	17238 (61300)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16956 (60300)	16984 (60400)		17069 (60700)	17209 (61200)	17378 (61800)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	17181 (61100)	17209 (61200)	Y	17294 (61500)	17350 (61700)	17491 (62200)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	17209 (61200)	17238 (61300)		17322 (61600)	17378 (61800)	17519 (62300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17322 (61600)	17434 (62000)		17519 (62300)	17575 (62500)	17716 (63000)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17378 (61800)	17491 (62200)		17575 (62500)	17631 (62700)	17772 (63200)
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.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	20415 (72600)	20415 (72600)		20415 (72600)	20443 (72700)	20528 (73000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	20696 (73600)	20696 (73600)		20696 (73600)	20724 (73700)	20781 (73900)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	20893 (74300)	20893 (74300)		20893 (74300)	20921 (74400)	21006 (74700)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	21174 (75300)	21174 (75300)		21174 (75300)	21202 (75400)	21259 (75600)

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