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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the period 6th September 2022 to 4th October 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 futures grinded even lower in line with a fall in international prices and gradually rising supplies in the domestic markets. Despite the supply worries persisting, markets have ignored it and focused on demand for now.

- As per Bathinda based Indian Cotton Association, North India cotton production to increase by about 23% to 58.3 lakh bales.

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.

Currently, the textile industry is purchasing cotton as per their requirement and waiting for the new season arrivals to gain momentum.

- Cotton crops in India remain under threat due to adverse weather conditions and pest attacks in major growing regions. In Gujarat cotton, sowing grows by nearly 13% with 2,538,383.00 hectares against the sown area of 2021 which was 2,250,743.00 hectares. In Rajasthan, cotton sowing witnessed a gain

of 3.76% with 652.61 thousand hectares as against 628.94 thousand hectares on the same day last year.

- Yarn prices have witnessed a downward trend as arrival of new cotton caused a decline of ₹5-10 per kg in cotton yarn prices in North India and even more in South, as stocks keep rising and textile value chains have reduced buying as they are waiting for prices to stabilise.

International Markets

• ICE remained closed for the Labour Day weekend. ICE cotton futures extended declines on Friday, set for their worst week in more than two months, as fresh lockdowns in top buyer China clouded the demand outlook, with the dollar's overall gains this week also hurting the fibre. This recent fall can be attributed to funds exiting on the back of USDA's postponement of data, rather than any particular fundamental factor.

• Potentially adding to headwinds from worries of a recession, were fresh COVID-19-led restrictions in top consumer China and a sharp retreat in oil prices driven by fears that steep U.S. interest rate hikes may lead to a global economic slowdown. Lower oil prices make polyester, a substitute for cotton, less expensive.

• Cotton is Texas' largest crop and agricultural export and in a good year, production can net \$4 billion to \$5 billion for the state's High Plains region alone, which covers 42 counties stretching from Lubbock to the tip of Panhandle in the northwest, Xinhua news agency quoted a Texas Tribune report. However, it will be down by at least \$2 billion this year, just half the normal annual yield.

• Meanwhile, the International Cotton Advisory Committee (ICAC), in a monthly note on Thursday, said the "impacts of climate change are being felt in multiple major cotton-producing countries". It downgraded 2022/23 production estimates for flood-ravaged Pakistan from 1.5 million tonnes to 1 million tonnes.

Shankar 6 GUJ ICS Price Trend

As mentioned in the previous update, we expected prices with some more upside potential to 26,500 levels where it could struggle to cross. It could eventually drop lower to 23,500-24,000 in the coming weeks. But it is unlikely to head lower than that.



MCX Sep Contract Chart

The MCX benchmark cotton September futures has been steadily declining after testing an all-time high of 51,090, a much-needed correction. Shorter-term charts suggest that the price would stay above 35,000 levels and edge higher back towards 44,000-45,000. A break below this support level could expose it to 33,800 or even lower to 32,350. A rise above 45500 would hint that a breakout type rally

would start towards 46150. In the bigger picture, we anticipate prices to edge lower towards supports mentioned above, from where a possible intermediate bottom can be seen.



ICE Dec Cotton Futures



ICE Cotton December futures has been witnessing volatile moves. It smartly pulled back towards \$1.19 levels briefly from recent lows at 82c. Crucial support is in the 95c zone, which is expected to cushion the impact of any major decline. Subsequently, it should trade in the 95c - \$1.10 range before some stability is seen. Failure to hold at 95c could see further weakness which is not our favoured view.

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. This is ideal for the industry, but to take that leap of faith is a humungous task for this industry where raw material price moves, make or break the profit margins.

Conclusion:

The domestic prices have corrected sharply lower from recent highs. Price could be inclined to test 67,000-68,000 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 by way of arrivals and poor demand, which makes us feel a further downside even to 65,000 is also likely in the coming months. However, if there is late rain like the previous year and the forecasts presently indicate such a possibility, then we could once again revisit 100,000 per candy.

Important support is at \$95c followed by \$91c 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 tight stocks. We expect prices to come under pressure in the coming sessions before edging higher eventually. Prices will now be falling in line with fundamentals, while external factors like On-call sales and speculative fund activity is 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 24,500/qrtl and for ICE May cotton futures at \$95c followed by \$80c. The domestic technical picture looks weak and could grind lower eventually. Demand however could return and change the picture. Therefore, we can expect prices to come under pressure with a bearish bias for both the domestic and international markets. But we remain from neutral to optimistic as prices test critical support levels.

USDINR Monthly Report: September 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

Following will be the key triggers for USDINR in September:-

We expect USDINR to trade within the wide range of 78.80-80.50 for September 2022. Major events in focus will be the outcome of FOMC policy on 21st September and RBI policy on 30th September. DXY, USDCNY as well as oil price movement, FII flows and RBI stance to maintain stability in Rupee will be closely observed. Rupee has depreciated above 80.0 levels as US\$ has strengthened, US rate hike bets, worries over widening trade deficit and dollars buying by oil companies supported the upside move in USDINR. However, RBI closely monitored the foreign exchange market and tried its best by taking appropriate steps to maintain stability in Rupee, which also resulted in FII inflows thus curbing the Rupee depreciation.

➔ **FOMC Policy Outcome:** The US Federal Open Market Committee (FOMC) is scheduled to meet on 20th -21st September 2022, and it is anticipated that the Fed could raise the interest rates by 75 bps in September.

➔ **RBI Policy Outcome:** The Reserve Bank of India (RBI) committee is scheduled to meet on 28th -30th September 2022, and it is anticipated that it could raise the interest rates by 25-50bps in September.

➔ **Geo-Political Issues:** Investors will remain sensitive to any news regarding US-China tensions over Taiwan, Russia-Ukraine war crisis, Russia-Europe gas supply related updates and will react

EXPERT'S Column



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

accordingly, thus affecting the market sentiments. Escalation in any situation will create volatility in the market.

➔ **Brent Oil Prices:** Brent oil again jumped above \$100/bl on supply tightness concerns as expectations that the OPEC will cut output to support prices overshadowed the demand concerns sparked by Fed Powell's hawkish stance. This resulted in widening of trade deficit worries. However, investors still worry that recession fear may dent fuel demand which may ease oil prices till \$96.50-94.50 levels. Traders will also keep a watch on OPEC+ meet outcome on 5th September for further cues.

- **FII Flows:** Domestic markets witnessed inflows for the second consecutive month in August after experiencing heavy outflows of \$35.66 bn from Oct 2021-Jun 2022 in a row. RBI has taken steps to attract inflows that helped to boost FII buying in domestic markets. In CY 2022 from January to August, the total outflows stands at \$22.389 bn, with August witnessing FII's buying of \$7.107 bn (as of 30th Aug 2022).

- **FX Reserves:** India's FX reserves declined by \$6.7 bn from prior week to \$564.05 bn for the week ended 19th August, lowest since Nov 2020, when it was at \$560.72 bn.

➔ **Trade Balance:** India's trade deficit in July 2022 ballooned to a new record of \$30.0 bn on exports slowdown, with exports valued at \$36.27 bn, up 2.14% on year and imports at \$66.27 bn, surged 43.61% y/y.

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



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Minimum Support Prices for Kapas of Fair Average Quality for the Cotton Season 2022-23 (October-September)

(In Rs. per quintal)

Sr. No.	Classes of Cotton	Fibre Quality Parameters		Minimum Support Prices (MSP) for 2022-23	Names of the Indicative Varieties used by the Trade
		Basic Staple Length (2.5% Span Length) in MM	Micronaire Value		
(i)	(ii)	(iii)	(iv)	(v)	(vi)
Short Staple (20 mm & below)					
1		-	7.0-8.0	5580	Assam Comilla
2		-	6.8-7.2	5580	Bengal Deshi
Medium Staple (20.5 mm - 24.5 mm)					
3		21.5 - 22.5	4.8 - 5.8	5830	Jayadhar
4		21.5 - 23.5	4.2 - 6.0	5880	V-797 / G.Cot.13 / G. Cot.21
5		23.5 - 24.5	3.4 - 5.5	5930	AK/Y-1 (Mah & M.P.) / MCU-7 (TN)/SVPR-2 (TN)/PCO-2 (AP & Kar) / K-11 (TN)
Medium Long Staple (25.0 mm - 27.0 mm)					
6		24.5 - 25.5	4.3 - 5.1	6080	J-34 (Raj.)
7		26.0 - 26.5	3.4 - 4.9	6180	LRA-5166/KC-2 (TN)
8		26.5 - 27.0	3.8 - 4.8	6230	F-414/H-777/J-34 Hybrid
Long Staple (27.5 mm - 32.0 mm)					
9		27.5 - 28.5	4.0 - 4.8	6280	F-414/H-777/J-34 Hybrid
10		27.5 - 28.5	3.5 - 4.7	6280	H-4/H-6/MECH/RCH-2
11		27.5 - 29.0	3.6 - 4.8	6330	Shankar-6/10
12		29.5 - 30.5	3.5 - 4.3	6380	Bunny/Brahma
Extra Long Staple (32.5 mm & above)					
13		32.5 - 33.5	3.2 - 4.3	6580	MCU-5/Surabhi
14		34.0 - 36.0	3.0 - 3.5	6780	DCH-32
15		37.0 - 39.0	3.2 - 3.6	7580	Suvin

(i) If the micronaire value is in the range of 3.8 to 4.2 for Staple Length of 24.5 - 25.5 mm mentioned at Sr. No.6 of above table, a premium of Rs. 30/- per quintal will be given over and above the MSP. If the micronaire happens to be less than 3.8 or more than 5.1, the MSP will be lower by Rs. 15/- per quintal for every 0.2 micronaire.

(ii) If the micronaire values are outside the range in the column (iv) for staple lengths at Sr. No.9 to 15 of above table, a lower MSP of Rs. 25/- per quintal will be given for every 0.2 micronaire value.

(iii) The Minimum acceptable micronaire value shall be 2.8 for Extra Long Staple Cotton mentioned at Sr. No. 13 to 15 of above table. Minimum acceptable micronaire value shall be 3.0 for other varieties of cotton at Sr. No.1 to 12 of the above table.

(iv) The names of varieties mentioned in column No. (vi) of the aforesaid table are only indicative related to the respective length group.

(v) The base line moisture content of kapas shall be 8%. The farmer selling cotton having moisture above 8% but upto 12% will get lesser price proportionately, while it will be a proportionate incentive, if the moisture content of the produce is less than 8%. For the purpose of undertaking price support operation by the designated Procurement Agencies, moisture content of more than 12% is not permitted. The incentive / disincentive will be made on the basis of rate per quintal of kapas on pro-rata basis.

(vi) The procurement agencies should ensure that micronaire and other fibre quality parameters are scientifically assessed by providing the required infrastructure / facilities at the purchase centres.

The Cotton Corporation of India Ltd. (CCI) will be the central nodal agency for undertaking price support operations for cotton.

The Minimum Support Price will be effective from 01.10.2022.

Source : Office of the Textile Commissioner

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) 2021-22 Crop August 2022 - September 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	29th	30th	31st	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	18250 (64900)	17969 (63900)		17969 (63900)	17687 (62900)	17406 (61900)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	18447 (65600)	18165 (64600)		18165 (64600)	17884 (63600)	17603 (62600)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	17153 (61000)	17153 (61000)	H	16872 (60000)	16591 (59000)	16310 (58000)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	18559 (66000)	18559 (66000)		18559 (66000)	18278 (65000)	17997 (64000)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	21652 (77000)	21652 (77000)		21652 (77000)	21090 (75000)	20809 (74000)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	24464 (87000)	24464 (87000)		23902 (85000)	23058 (82000)	23058 (82000)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	21371 (76000)	21371 (76000)	O	21371 (76000)	20809 (74000)	20246 (72000)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	24633 (87600)	24633 (87600)		24071 (85600)	23227 (82600)	23227 (82600)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	21934 (78000)	21934 (78000)		21934 (78000)	21371 (76000)	20809 (74000)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	23340 (83000)	23340 (83000)		23340 (83000)	23058 (82000)	22496 (80000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	25870 (92000)	25617 (91100)	L	25055 (89100)	24211 (86100)	23649 (84100)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	25870 (92000)	25870 (92000)		25870 (92000)	25308 (90000)	24464 (87000)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	25927 (92200)	25927 (92200)		25927 (92200)	25364 (90200)	24521 (87200)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	25589 (91000)	25589 (91000)	I	25589 (91000)	25027 (89000)	24746 (88000)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	25308 (90000)	25308 (90000)		24746 (88000)	24183 (86000)	23621 (84000)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	26714 (95000)	26714 (95000)		26714 (95000)	26152 (93000)	25308 (90000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	26770 (95200)	26770 (95200)		26770 (95200)	26208 (93200)	25364 (90200)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	26714 (95000)	26714 (95000)	D	26714 (95000)	26433 (94000)	26152 (93000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	27558 (98000)	27558 (98000)		27558 (98000)	27276 (97000)	26433 (94000)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	27698 (98500)	27698 (98500)		27698 (98500)	27417 (97500)	26292 (93500)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	28542 (101500)	28542 (101500)	A	28542 (101500)	N.A. (N.A.)	N.A. (N.A.)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	28682 (102000)	28682 (102000)		28682 (102000)	N.A. (N.A.)	N.A. (N.A.)
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	27417 (97500)	27276 (97000)	Y	27276 (97000)	26995 (96000)	26433 (94000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	27839 (99000)	27698 (98500)		27698 (98500)	27417 (97500)	26855 (95500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	27979 (99500)	27839 (99000)		27839 (99000)	27558 (98000)	26995 (96000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	28261 (100500)	28120 (100000)		28120 (100000)	27839 (99000)	27276 (97000)

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