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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 04/12/18 to 31/12/18

(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.

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 edged lower on profit-taking in MCX, after prices rose sharply in the previous session in line with a rally in international prices. Rising demand from domestic mills at the spot market also underpinned prices. Further, cotton yield in India is likely to decline this year due to crop damage following drought in its major growing states of Gujarat and Maharashtra. This also fuelled the uptrend.

- The cotton yield in India is likely to be the lowest in three years. The crop has suffered heavy damage following drought in two major cotton-

growing states of Gujarat and Maharashtra. The two states jointly account for half of India's cotton output.

- In its first estimate released this week, the Cotton Advisory Board (CAB) headed by the Textile Commissioner under the Ministry of Textiles forecasts that cotton yield is likely to decline to 501.47 kg per hectare (ha) for October 2018 – September 2019 period compared to 506.07 kg per ha in the previous year.

- The Cotton Association of India (CAI) has estimated cotton crop for 2018-19 crop year at 343.25 lakh bales of 170 kgs. each which is lower by 4.75 lakh bales than the 348 lakh bales announced at the Cotton India Second Domestic Conference for 2018 held on 6th October 2018 in Aurangabad.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures settled higher on Monday, but gave up some gains after surging more than 3 percent on hopes for an improvement in U.S.-China trade relations after the two countries agreed to hold off on fresh tariffs for 90 days.

- The White House said on Saturday that President Donald Trump told Chinese President Xi Jinping during high-stakes talks in Argentina that he would not boost tariffs on \$200 billion of Chinese goods to 25 percent on Jan. 1 as previously announced. Beijing on its part, agreed to buy an

EXPERT'S Column



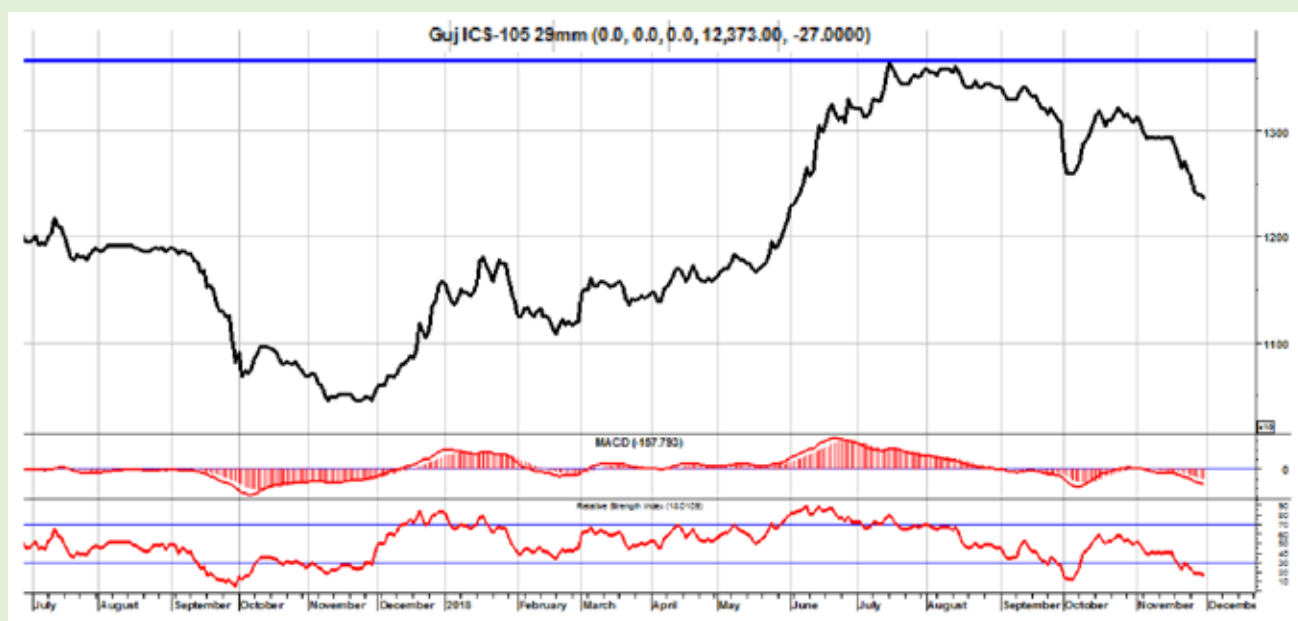
Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

unspecified but “very substantial” amount of agricultural, energy, industrial and other products, the White House said in a statement.

- Meanwhile, the Economist Intelligence Unit expects growth in global cotton consumption to slow down from an estimated 9.8% year on year in 2017/18 (August-July) to 2.5% in 2018/19 as the 25% tariff on US cotton imports imposed by China, the world’s largest cotton consumer, disrupts its supply chains and consumption. A pest outbreak in India, dry conditions in the US and Chinese tariffs on US cotton are set to push global output down by 1.3% year on year in 2018/19.



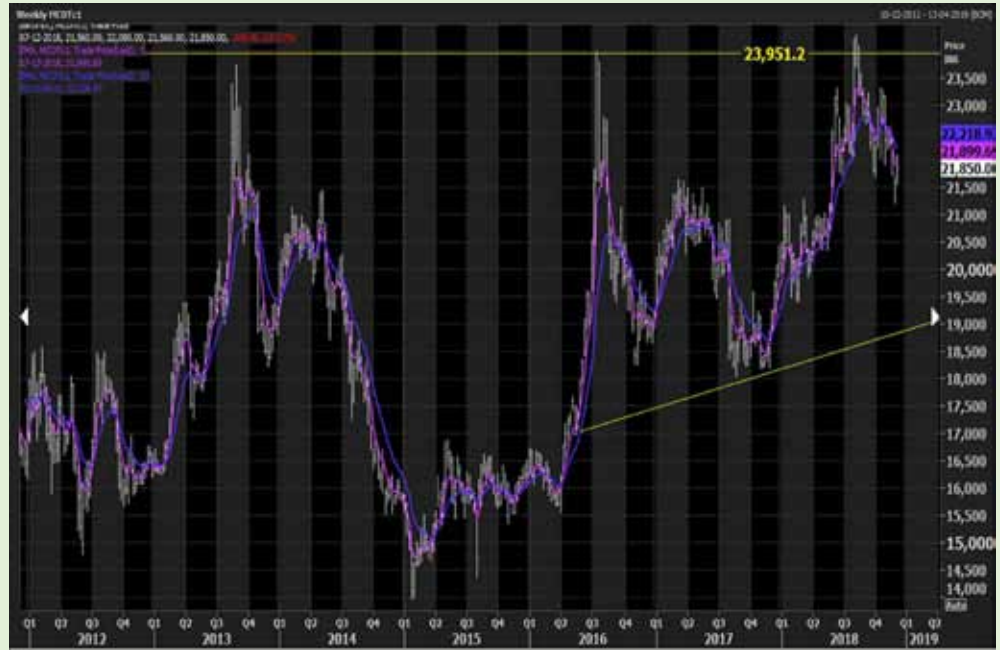
As mentioned in the previous update, prices are struggling around 13,600 and showing signs of fatigue. This might result in a fall up to 13,000 at least or even lower in the coming sessions. So far, the market has played off as per our expectations. We expect prices to continue heading southwards to 12,100 or even lower to 11,700 levels in the coming sessions from where a possible retracement looks likely.



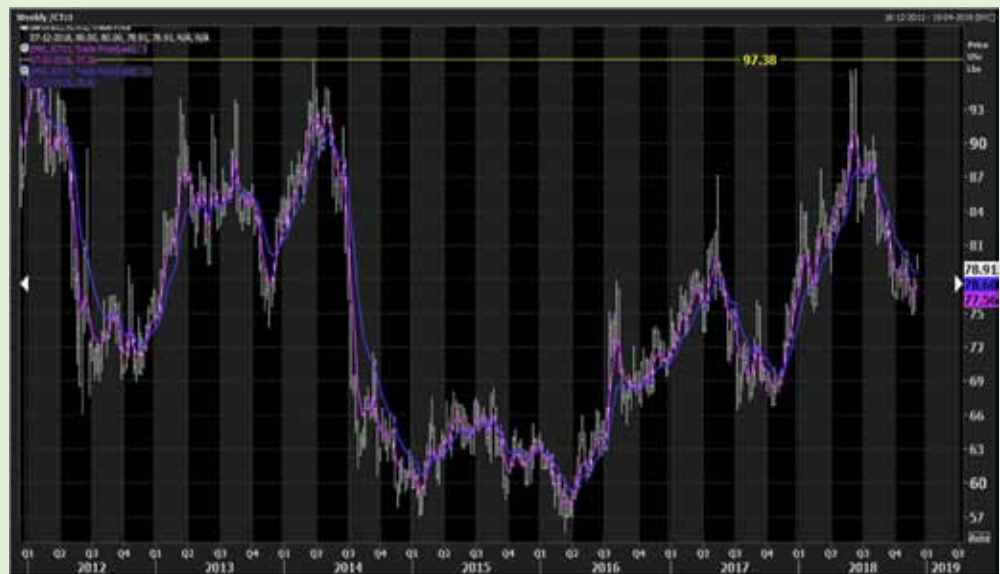
As mentioned previously, mild overbought conditions and divergences in the indicators hint at a corrective downward tilt in the coming sessions. As cautioned, a decline below 12,800 could hint at weakness again, and prices are expected to spend some time in the 12,000-13,000 zone before edging higher again. Extremely oversold indications warn of getting excessively bearish at present levels and expect a pullback to 13,000-13300 levels in the coming month.

MCX October Contract Chart

The MCX benchmark December cotton chart is moving exactly as per expectations. As expected, we saw prices fall below 22,000 levels. They have bounced from 21,200 and show inclination to test the 22,300-500 levels, where strong resistances kick-in again. A rise above this could take prices even higher to 23,000 levels. But the trend has weakened and any attempts to rise higher could face tough resistance up ahead.



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



As mentioned earlier, it appeared like prices could drop even lower to 75-76c in the coming sessions. Prices moved exactly as per expectations. We can now expect

a retracement to \$82-83c levels or even higher initially. But we expect a lot of resistance and prices could decline once again below 75c, before finding some footing and rebounding higher. However, an unexpected rise and close above 86c could revive bullish hopes for \$1.00 subsequently.

Conclusion:

Both the domestic and international prices are languishing after testing long-term resistance levels. The technical bigger picture is bearish now and upticks could be short-lived. But prices could correct higher in a broad range before breaking out lower. Only, a close above 86-87c could hint at a bullish reversal again. Such a move could revive bullish hopes again for the long-term target of \$110-14. The international prices indicate more corrective upticks in the coming weeks, but the medium-term picture still looks neutral to negative, while the domestic prices also looks corrective before a decline begins.

For Guj ICS supports are seen at 12,100/ qtl followed by 11,700 /qtl, and for ICE Oct cotton futures at 75-76. As mentioned earlier, prices are nearing a strong long-term resistance zone and could take a while to break it higher. The domestic technical picture has turned weaker as the international one, but it might not be a one-way streak and corrections can be expected from time to time. We favour prices to consolidate the support levels mentioned above.

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UPCOUNTRY SPOT RATES

November 2018

2017-18 Crop

Growth G. Standard Grade Staple Micronaire Strength/GPT	P/H/R ICS-101 Fine 22 mm 5.0-7.0 15	P/H/R ICS-201 Fine 22 mm 5.0-7.0 15	GUJ ICS-102 Fine 22 mm 4.0-6.0 20	KAR ICS-103 Fine 23 mm 4.0-5.5 21	M/M ICS-104 Fine 24 mm 4.0-5.5 23	P/H/R ICS-202 Fine 26 mm 3.5-4.9 26	M/M/A ICS-105 Fine 26 mm 3.0-3.4 25	M/M/A ICS-105 Fine 27 mm 3.0-3.4 26	P/H/R ICS-105 Fine 27 mm 3.5-4.9 26	M/M/A ICS-105 Fine 27 mm 3.5-4.9 26	P/H/R ICS-105 Fine 28 mm 3.5-4.9 27	M/M/A ICS-105 Fine 28 mm 3.5-4.9 27	GUJ ICS-105 Fine 28 mm 3.5-4.9 27	M/M/A/K ICS-105 Fine 29 mm 3.5-4.9 28	GUJ ICS-105 Fine 29 mm 3.5-4.9 28	M/M/A/K ICS-105 Fine 30 mm 3.5-4.9 29	M/M/A/K/T/O A/K/T/O ICS-106 Fine 31 mm 3.5-4.9 30	M/P/K/T ICS-107 Fine 34 mm 3.0-3.8 33								
																			1	2	3	5	6	7	8	9
1	-	-	10292	10461	11192	-	10967	-	11389	11754	-	12204	12373	12654	12710	12795	13104	-	-							
2	-	-	10348	10489	11220	-	10967	-	11389	11810	-	12260	12429	12710	12766	12851	13104	-	-							
3	-	-	10348	10489	11192	-	10967	-	11332	11810	-	12260	12373	12654	12710	12795	13104	-	-							
5	-	-	10348	10489	-	-	10826	-	11248	11726	-	12260	12373	12654	12710	12795	13104	-	-							
6	-	-	10545	10686	-	-	10967	-	11389	11726	-	-	12513	12513	12654	12654	13076	-	-							
7	HOLIDAY	HOLIDAY	HOLIDAY	...	...	...	...	...	...	...	...
8	HOLIDAY	HOLIDAY	HOLIDAY	...	...	...	...	...	...	...	...
9	HOLIDAY	HOLIDAY	HOLIDAY	...	...	...	...	...	...	...	...
10	-	-	10545	10686	-	-	10967	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
12	-	-	10545	10686	-	-	10967	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
13	-	-	10545	10686	-	-	10967	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
14	-	-	10545	10686	-	-	10967	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
15	-	-	10601	10686	-	-	11051	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
16	-	-	10601	10686	-	-	11051	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
17	-	-	10601	10686	-	-	11051	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
19	-	-	10601	10686	-	-	11051	-	11389	11726	-	-	12513	12570	12710	12710	13076	-	-							
20	-	-	10601	10686	-	-	10939	-	11276	11614	-	-	12457	12457	12598	12598	12963	-	-							
21	-	-	10601	10686	-	-	10854	-	11192	11529	-	-	12373	12373	12513	12513	12879	-	-							
22	-	-	10601	10686	-	-	10854	-	11192	11529	-	-	12373	12373	12513	12513	12879	-	-							
23	-	-	10545	10686	-	-	10854	-	11192	11529	-	-	12373	12373	12513	12513	12879	-	-							
24	-	-	10489	10629	-	-	10770	-	11107	11445	-	-	12288	12288	12429	12429	12795	-	-							
26	-	-	10461	10601	-	-	10770	-	11107	11389	-	-	12148	12148	12317	12373	12654	-	-							
27	-	-	10461	10601	-	-	10770	-	11107	11389	-	-	12035	12092	12204	12317	12654	-	-							
28	-	-	10461	10601	-	-	10770	-	11107	11389	-	-	12035	12092	12204	12317	12654	-	-							
29	-	-	10461	10601	-	-	10770	-	11107	11389	-	-	12035	12092	12204	12317	12598	-	-							
30	-	-	10461	10601	-	-	10770	-	11107	11389	-	-	11979	12035	12148	12260	12541	-	-							
H	-	-	10601	10686	11220	-	11051	-	11389	11810	-	12260	12513	12710	12766	12851	13104	-	-							
L	-	-	10292	10461	11192	-	10770	-	11107	11389	-	12204	11979	12035	12148	12260	12541	-	-							
A	-	-	10505	10630	11201	-	10908	-	11276	11618	-	12246	12359	12438	12560	12597	12939	-	-							

H = Highest L = Lowest A = Average

SAVE THE DATES

6th – 8th March 2019



**COTTON
ASSOCIATION
OF INDIA**

Established 1921



— presents —



INTERNATIONAL CONFERENCE

IN

HOTEL TRIDENT, MUMBAI (INDIA)



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) 2017-18 Crop November - December 2018					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	26th	27th	28th	29th	30th	1st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	-	-	-	-	-	-
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	-	-	-	-	-	-
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	10461 (37200)	10461 (37200)	10461 (37200)	10461 (37200)	10461 (37200)	-
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10601 (37700)	10601 (37700)	10601 (37700)	10601 (37700)	10601 (37700)	-
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	-	-	-	-	-	-
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	-	-	-	-	-	-
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	10770 (38300)	10770 (38300)	10770 (38300)	10770 (38300)	10770 (38300)	-
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	-	-	-	-	-	-
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	-	-	-	-	-	-
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	11107 (39500)	11107 (39500)	11107 (39500)	11107 (39500)	11107 (39500)	-
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	11389 (40500)	11389 (40500)	11389 (40500)	11389 (40500)	11389 (40500)	-
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	-	-	-	-	-	-
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	-	-	-	-	-	-
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	12148 (43200)	12035 (42800)	12035 (42800)	12035 (42800)	11979 (42600)	-
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	12148 (43200)	12092 (43000)	12092 (43000)	12092 (43000)	12035 (42800)	-
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12317 (43800)	12204 (43400)	12204 (43400)	12204 (43400)	12148 (43200)	-
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12373 (44000)	12317 (43800)	12317 (43800)	12317 (43800)	12260 (43600)	-
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12654 (45000)	12654 (45000)	12654 (45000)	12598 (44800)	12541 (44600)	-
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	-	-	-	-	-	-
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	-	-	-	-	-	-

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

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) 2018-19 Crop November- December 2018					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPI	26th	27th	28th	29th	30th	1st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11838 (42100)	11754 (41800)	11670 (41500)	11642 (41400)	11642 (41400)	11642 (41400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11979 (42600)	11895 (42300)	11810 (42000)	11782 (41900)	11782 (41900)	11782 (41900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	-	-	-	-	-	10461 (37200)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	-	-	-	-	-	10601 (37700)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	11585 (41200)	11670 (41500)	11670 (41500)	11670 (41500)	11670 (41500)	11670 (41500)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	-	-	-	-	-	11754 (41800)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	-	-	-	-	-	-
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	-	-	-	-	-	-
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12092 (43000)	12176 (43300)	12176 (43300)	12176 (43300)	12063 (42900)	11895 (42300)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	-	-	-	-	-	-
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	-	-	-	-	-	-
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12176 (43300)	12260 (43600)	12260 (43600)	12260 (43600)	12120 (43100)	11951 (42500)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	-	-	-	-	-	-
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	-	-	-	-	-	-
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	12345 (43900)	12288 (43700)	12204 (43400)	12204 (43400)	12176 (43300)	12092 (43000)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12429 (44200)	12429 (44200)	12401 (44100)	12401 (44100)	12373 (44000)	12317 (43800)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12570 (44700)	12513 (44500)	12485 (44400)	12485 (44400)	12457 (44300)	12429 (44200)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12823 (45600)	12766 (45400)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12991 (46200)	13048 (46400)	13048 (46400)	13048 (46400)	13020 (46300)	12991 (46200)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	16141 (57400)	16225 (57700)	16225 (57700)	16225 (57700)	16225 (57700)	16225 (57700)

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