

Weekly Publication of



Cotton
Association
of India

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2022-23 • No. 36 • 6th December, 2022 Published every Tuesday

Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033
Telephone: 8657442944/45/46/47/48 Email: cai@caionline.in
www.caionline.in

Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the Period 6th December 2022 to 6th January 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 cotton MCX cotton futures ended mildly on profit-taking, as prices eased from weekly highs on the back of a recovery in ICE futures due to easing Covid restrictions in China. The local prices edged mildly higher in the physical market as arrivals are not yet happening in a full-fledged manner, touching roughly 66,000 per candy for next few months.

- Arrivals in Oct-Nov have been 40-45% lower from the same time last season. As per Agmarknet

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.

data, in Nov 2022, only 5.20 lakh tonne (lt) of cotton arrived in the physical market compared to 7.74 lt last year. CAI has pegged India's domestic cotton demand to dip 6% y/y in 2022-23 at 300 lakh bales and cotton crop estimate at 344 lakh bales.

- Polyester prices are expected to gradually rise again as demand for crude oil increases, and OPEC decides to retain output cuts. The recent decline seems to have provided relief to the entire value chain because of the global fall in crude oil prices. The industry looks to be switching to polyester due

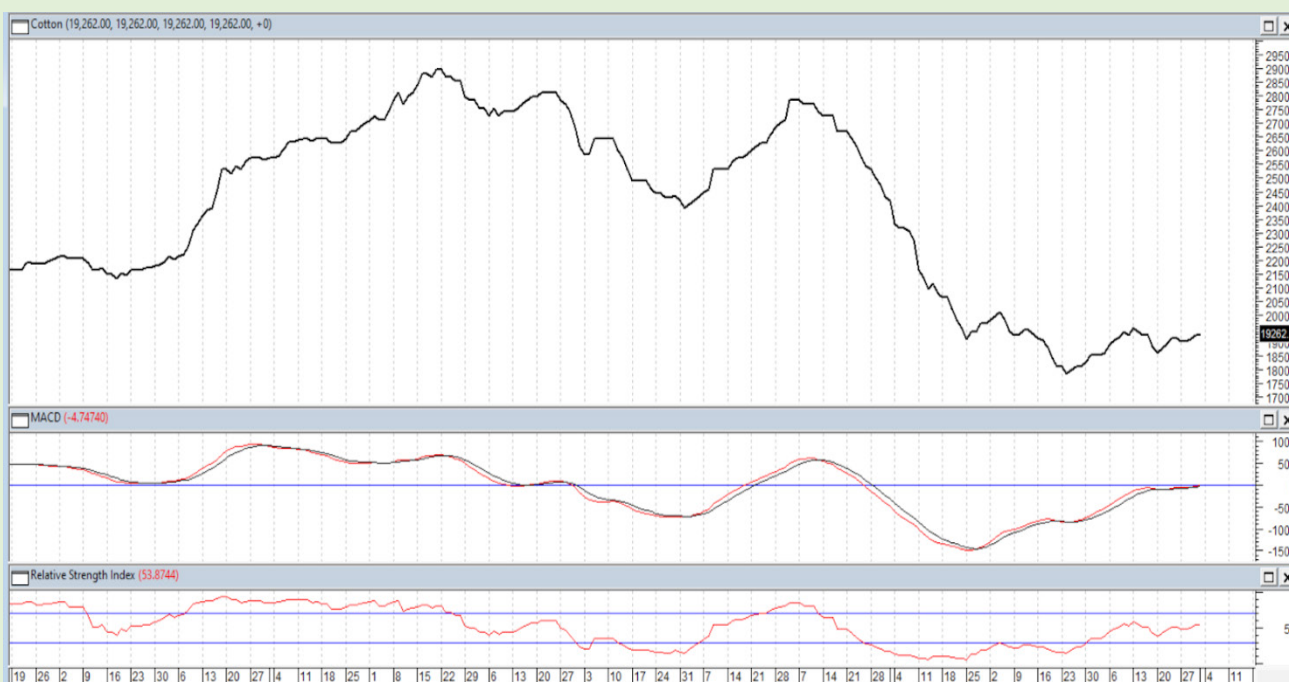
to better margins. Spinning mills are facing difficulties as they are unable to raise yarn prices due to weak demand, while cheaper polyester fibre is providing the much-needed relief to the industry for the time being. The entire value chain is facing a grim situation due to high prices of cotton. Spinning mills were expecting cotton prices to come down during the arrival season, but the prices continue to remain neutral to high, even after two months into the current season.

International Markets

- ICE cotton futures extended gains for a second straight session on Tuesday, helped by prospects of an improvement in demand from top consumer China as investors look to a federal monthly supply-demand report this week. Investors now await the monthly World Agricultural Supply and Demand Estimates (WASDE) report, due on Dec. 9.
- The dollar crept higher on Wednesday as top executives from the biggest U.S. banks warned of an impending recession, which dampened risk appetite and kept the greenback supported. However, this also supported the view that the Federal Reserve may scale back the pace of its rate hikes, which have remained higher for longer.
- Residents of China’s capital were allowed in public spaces without a negative COVID-19 test on Tuesday, the latest in a mix of easing steps nationwide after unprecedented protests against a tough zero-COVID policy.
- According to the weekly Commitment of Traders report data release, money cotton traders had 14,913 contracts net long, down 2,366 contracts as on 11/29. However, commercial cotton hedgers reduced their net short by 3,022 contracts through the week to 36,503.

Shankar 6 GUJ ICS Price Trend

As mentioned in the previous update, we expected prices would eventually drop lower to 17,500-18,000 levels in the coming month. Prices touched that and in line with the view, bounced from there showing signs of a possible bottom. As anticipated, prices could gradually inch higher towards 20,000 levels where strong resistances are seen. Once above here, it could even start rising towards 22,000 levels subsequently. Though prices can drop again, the recent bottom at 17,500 looks intact and unlikely to test that level once again.



MCX Dec Contract Chart

The MCX benchmark cotton December futures’ weekly structure shows a bullish potential to rise towards 32,000 levels. Supports are near 30,800 followed by 30,100. It must fall below 29,750 to cause doubts about this

bullish view. Next supports would be near 28,500. Daily chart's trend and momentum indicators favour a bullish view. However, a fall below 28,500 could cause doubts about the bullish potential.



ICE Mar 23 Cotton Futures

As mentioned in our previous month's update, a period of consolidation is underway before it could launch itself higher again towards 95-97c on the upside. The consolidation range is in the 77-89c range presently. Technically, we favour more upside in the short-term towards 97-98c zone or even higher above \$1.00. The chart below shows how the month of December has been the beginning of many important rallies in ICE cotton in the past. History could repeat itself again this year.



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 breaks 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. To protect against falling inventory cost one can take Put options in ICE around resistance levels by paying a premium, where losses will be minimum and profits unlimited.

Conclusion

The domestic prices seem to have found a bottom near 60,000-61,000 per candy for now, as it seems to be discounting negative fundamentals of poor demand. However, more negative factors continue to weigh on

domestic markets by way of arrivals and weak demand. But price always has a ability to discount present weakness and look ahead. This is what is likely happening in the local prices. Strong resistance is presently noticed in the 70,000-75,000 per candy levels and may find it tough to cross that in the near-term.

Important support is at \$80c followed by \$76c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices are still at premium, though it has corrected from peaks. It has not fallen lower relative to international prices due to tight stocks. We expect prices to consolidate and gradually edge higher again. Though price could

come under pressure from time to time, it is important to keep an eye on the speculative fund activity and the dollar that could turn the picture for cotton prices. The international price indicates that it is in the process of a consolidation before beginning an up move again.

For Guj ICS supports are seen at 18,500/qtl and for ICE May cotton futures at \$80-82c followed by \$76c. The domestic technical picture looks neutral to weak and could grind higher eventually. Therefore, we can expect prices to come under pressure with a mild bullish bias for both the domestic and international markets, as there are some bottoming signs visible in ICE futures presently.

USDINR Monthly Report: December 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

We expect USDINR to trade within the range of 79.90 -82.50 for December 2022. DXY, USDCNY as well as oil price movement, FII flows and RBI stance to maintain stability in Rupee will be closely observed. FOMC as well as RBI Policy outcome and geopolitical tensions especially any update from unrest in China will also be on radar. Cooling off oil prices below \$90/bl mark, appreciation of Chinese Yuan and FII's gradual inflows is expected to help the Rupee. But Fed's slower pace of rate hikes and hawkish stance, expected strength in US dollar, any escalation in China's geopolitical issues and dollar buying by oil companies on dip, may limit the downside in the pair. RBI also strives to protect volatility as it buys on dips while sells at higher levels.

Following will be the key triggers for USDINR in December 2022

- **RBI Policy Meet:** The Reserve Bank of India (RBI) committee is scheduled to meet on 5th-7th December 2022 and it is anticipated that it could raise the interest rates by 35bps in December, as inflation cools off and is expected to come into the range of 4-6% by March-2023.
- **FOMC Policy Meet:** US FOMC is scheduled to meet next on 13-14th December 2022, and is anticipated that the Fed could raise the interest rates by 50 bps as Fed is determined to tame inflation which stands at 7.7% y/y in October. The Fed Chairman

EXPERT'S Column



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

was on record to say that the rate hikes would not be as steep as in the past but the fight to tame the inflation would continue until the target of 2% is met which seemed quite hawkish but market has perceived to be dovish.

- **Geo-Political Issues:** Any escalation in geopolitical tensions will affect the market sentiments and may create volatility in the FX market.

- **Brent Oil Prices:** Brent oil slipped sharply by around 6.6% in November. With a cap being put on Russian oil prices this month and demand worries from China as it fights the rising Covid-19 cases, it is expected to ease the commodity prices. Hence, inflation may further cool off in the coming months globally. Market will also focus of OPEC meeting outcome, where there is a high probability of OPEC+ would leave output unchanged.

- **FII Flows:** Domestic markets witnessed inflows of \$4.138 bn in November after experiencing an outflow of \$0.813 bn in the prior two months.

- **FX Reserves:** FX reserves rose \$2.53 bn from the prior week to \$ 547.25 bn for the week ended 18th November. In November alone, reserves rose by \$22.73 bn (till 18th November) as RBI bought dollars on dip to replenish its reserves.

- **Trade Balance:** India's trade deficit in October 2022 widened to \$26.91 bn Vs \$25.71 bn in Sep, with exports valued at \$29.78 bn, down 16.7% on year and imports at \$56.69 bn, surged 5.7% y/y.

(The views expressed in this column are of the author and not that of Cotton Association of 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) 2021-22 Crop November - December 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	28th	29th	30th	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	-	-	-	-	-	-
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	-	-	-	-	-	-
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	15185 (54000)	15185 (54000)	15438 (54900)	15635 (55600)	15635 (55600)	15466 (55000)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	16591 (59000)	16591 (59000)	16872 (60000)	16872 (60000)	16872 (60000)	16872 (60000)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	-	-	-	-	-	-
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	-	-	-	-	-	-
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	-	-	-	-	-	-
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	-	-	-	-	-	-
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	-	-	-	-	-	-
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	-	-	-	-	-	-
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	-	-	-	-	-	-
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	-	-	-	-	-	-
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	-	-	-	-	-	-
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	-	-	-	-	-	-
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	-	-	-	-	-	-
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	19965 (71000)	19965 (71000)	20246 (72000)	20246 (72000)	20246 (72000)	20246 (72000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	-	-	-	-	-	-
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	20809 (74000)	20809 (74000)	21090 (75000)	21090 (75000)	20809 (74000)	20809 (74000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	-	-	-	-	-	-

(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) 2022-23 Crop November - December 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	28th	29th	30th	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	18053 (64200)	17912 (63700)	17969 (63900)	18250 (64900)	18250 (64900)	17969 (63900)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	18250 (64900)	18109 (64400)	18165 (64600)	18447 (65600)	18447 (65600)	18165 (64600)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	-	-	-	-	-	-
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	-	-	-	-	-	-
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	-	-	-	-	-	-
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	17575 (62500)	17575 (62500)	17772 (63200)	18025 (64100)	17884 (63600)	17603 (62600)
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	17687 (62900)	17687 (62900)	17884 (63600)	18137 (64500)	17997 (64000)	17716 (63000)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	-	-	-	-	-	-
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	18278 (65000)	18278 (65000)	18475 (65700)	18728 (66600)	18587 (66100)	18306 (65100)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	-	-	-	-	-	-
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	-	-	-	-	-	-
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	-	-	-	-	-	-
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	18559 (66000)	18559 (66000)	18700 (66500)	18840 (67000)	18700 (66500)	18419 (65500)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	19065 (67800)	19065 (67800)	19262 (68500)	19262 (68500)	19122 (68000)	18981 (67500)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	19122 (68000)	19122 (68000)	19318 (68700)	19318 (68700)	19178 (68200)	19037 (67700)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	19037 (67700)	19037 (67700)	19122 (68000)	19262 (68500)	19262 (68500)	19122 (68000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	19206 (68300)	19206 (68300)	19403 (69000)	19403 (69000)	19262 (68500)	19122 (68000)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	19290 (68600)	19290 (68600)	19487 (69300)	19487 (69300)	19346 (68800)	19206 (68300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	19403 (69000)	19403 (69000)	19684 (70000)	19684 (70000)	19684 (70000)	19684 (70000)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	19487 (69300)	19487 (69300)	19768 (70300)	19768 (70300)	19768 (70300)	19768 (70300)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	-	-	-	-	-	-
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	-	-	-	-	-	-
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	21090 (75000)	21090 (75000)	21090 (75000)	21090 (75000)	21090 (75000)	21090 (75000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	-	-	-	-	-	-
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	21793 (77500)	21793 (77500)	21793 (77500)	21793 (77500)	21512 (76500)	21512 (76500)

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