

Weekly Publication of



Cotton
Association
of India

COTTON STATISTICS & NEWS

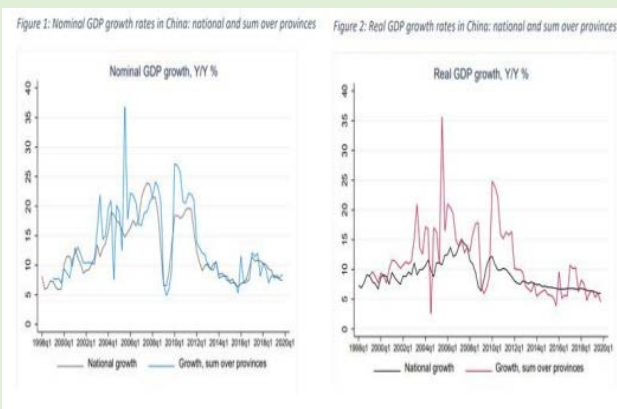
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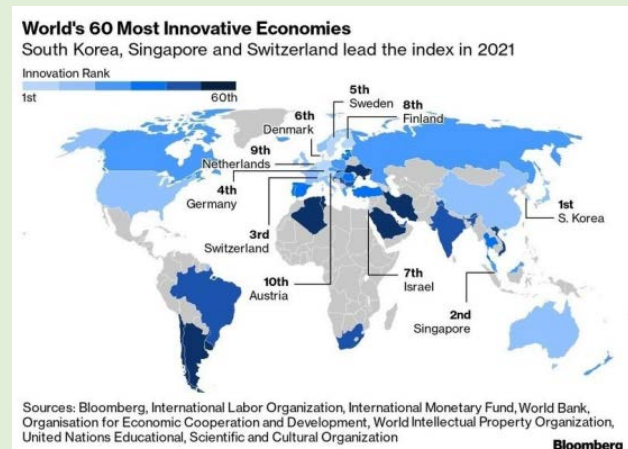
The Month That Was - Snippets for February 2021

China's Mystery



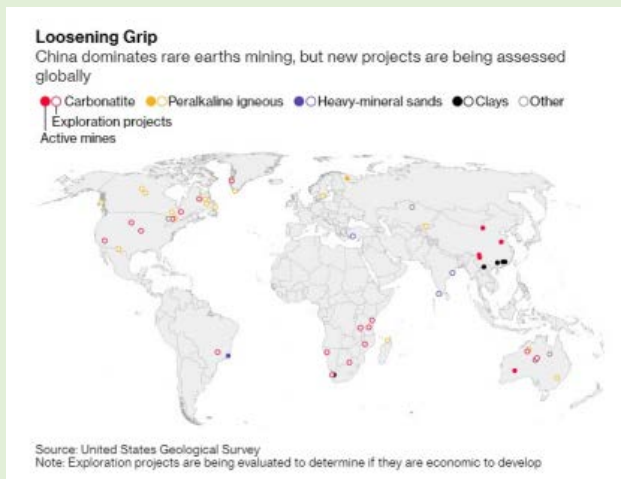
A new paper from the Bank for International Settlements (BIS) uses China's provincial data to create an aggregate estimate of nominal and real GDP. Sure enough, comparing provincial data with the official GDP numbers shows a discrepancy, at least in the case of real GDP. The provincial data for this is a lot more volatile than the official real GDP number, especially after China doubled its real GDP target back in 2012. Critics of China's GDP statistics will no doubt seize on that disparity as proof that China is smoothing its statistics. There is a more important issue as it also suggests that the engines of China's economic growth shifted gears sometime around 2010. Growth used to be driven by investment and productivity gains, but in recent years government spending, credit and house prices have become much more important. The natural question, as the BIS authors note, "is whether such determinants can sustain growth persistently?"

South Korea Leads as World's Most Innovative Economy



South Korea returned to first place in the latest Bloomberg Innovation Index, while the U.S. dropped out of a top 10 that features a cluster of European countries. Korea regained the crown from Germany, which dropped to fourth place. The Asian nation has now topped the index for seven of the nine years that it's been published. Singapore and Switzerland each moved up one spot to rank second and third. "Intensifying competition between the U.S. and China is reshaping the innovation landscape. For the U.S., fears about losing intellectual property to a geopolitical rival are undermining support for the open innovation system. For China, fear of being cut off from foreign technology is accelerating investment in R&D capacity at home."

Why Rare Earths May Leave Europe and U.S. Vulnerable?

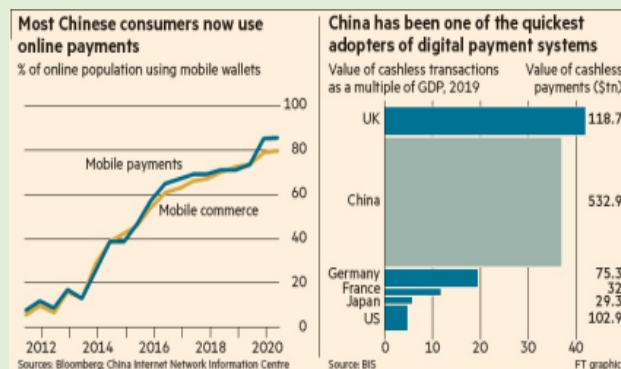


Rare earths are among the most critical raw materials on the planet. They are used to make so-called permanent magnets that create a field for motors to run in perpetuity. These are in everything from lithium-ion batteries to electric vehicles, wind turbines and missile guidance systems. They're fundamental as they help transfer energy into movement. They represent a vulnerability for the U.S., which is 80% reliant for rare earths on imports from China, and also for Europe. Now they risk becoming a contentious issue in U.S.-China trade itself.

Who Leads the Charge Towards Electric Mobility?

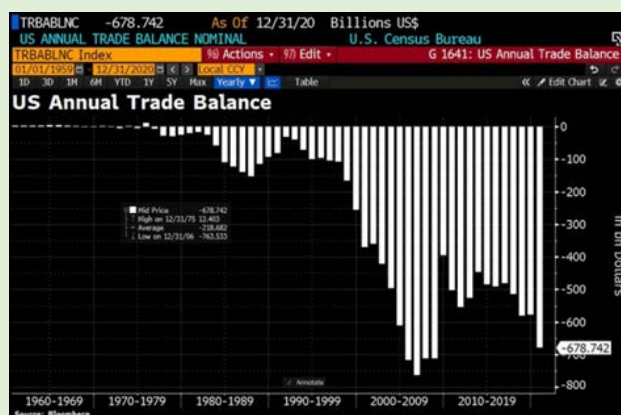


Currency Control



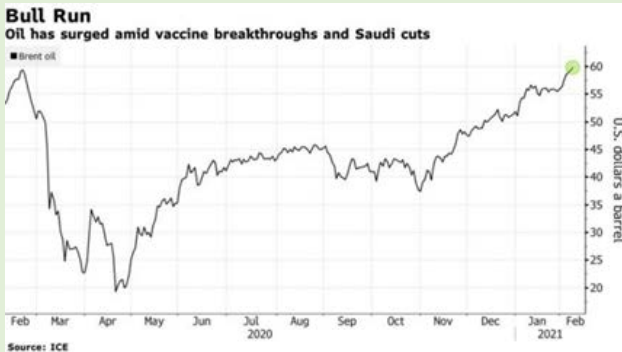
The rollout of the 'e-yuan' central bank digital currency will create competition for fintech systems run by private groups such as Ant Group and Tencent. But it will also boost Beijing's surveillance state. During celebrations in China to mark the lunar new year of the Ox, which began on February 12, authorities in several cities have given away tens of millions of renminbi as new year "red packets" that can be downloaded on to a smartphone. Beijing and Suzhou alone have doled out 200,000 red packets each worth Rmb200 (\$31) in a public lottery. Such philanthropy conceals a harder-hitting agenda. By handing out the traditional red packets in the form of "digital renminbi", China's authorities are conducting trials for a crucial new technology that could lead the world's adoption of digital currencies and set global technical standards.

U.S. Posts Biggest Trade Deficit Since 2008



Looks as if Trump's trade policies have failed colossally as the U.S. posted the biggest trade deficit since 2008 as Corona depressed exports for U.S. companies. Plunge in travel, transport dragged exports to lowest since 2010. China has supplanted Mexico to be the top U.S. trade partner.

Oil on High

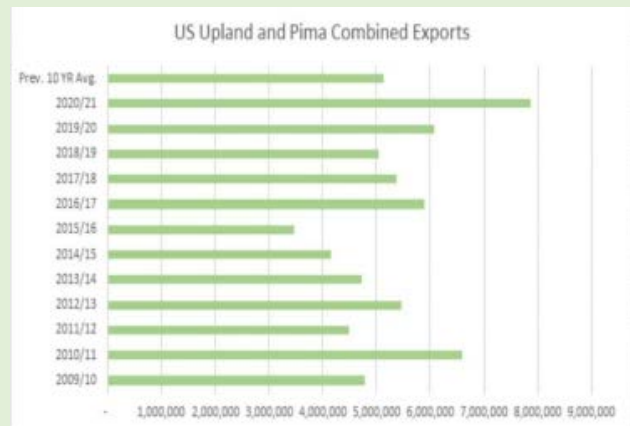


Brent Oil extends advance toward \$60 on tightening global supply. Oil extended gains toward \$60 a barrel in early Asian trading as global supplies tighten and the demand outlook improves with the rollout of Covid-19 vaccines. Futures in London climbed 0.8% after capping a third weekly gain. The number of vessels sailing toward China jumped to a six-month high, signalling robust demand from the world’s largest importer. Key prompt timespreads for the global benchmark Brent and U.S. crude have recently firmed in a bullish backwardation structure, indicating shrinking stockpiles. Top independent trader Vitol SA, meanwhile, joined with rival Gunvor Group Ltd. in expressing caution about the recent surge in prices, while a technical indicator is showing that oil is overbought and due for a correction.

The Correlation of Real and Financial Assets with Inflation since 1950



U.S. Upland and Pima Combined Exports



Fed’s Balance Sheet Hits Another New High

US Federal Reserve - Total Assets			
Year End	Assets (in Billions)	\$ Increase (in Billions)	% Increase
2002	732		
2003	772	39	5.4%
2004	811	39	5.1%
2005	848	37	4.5%
2006	870	22	2.6%
2007	891	21	2.4%
2008	2,239	1,349	151.4%
2009	2,234	-5	-0.2%
2010	2,421	187	8.3%
2011	2,926	506	20.9%
2012	2,907	-19	-0.6%
2013	4,033	1,125	38.7%
2014	4,498	465	11.5%
2015	4,487	-11	-0.2%
2016	4,451	-35	-0.8%
2017	4,449	-3	-0.1%
2018	4,076	-373	-8.4%
2019	4,166	90	2.2%
2020	7,363	3,197	76.7%
2021 YTD	7,442	79	1.1%
	Period	\$ Increase (in Billions)	% Increase
	2002-21	6,710	917%

At \$7.44 trillion, the Fed’s Balance Sheet hit another new high. The Fed’s assets have increased \$3.3 trillion over the last year and they have promised to keep buying bonds at a rate of \$120 billion per month. Here is why:

1. Stocks: all-time high
2. Home prices: all-time high
3. Corporate bond yields: all-time low
4. Mortgage rates: all-time low
5. Fed: need 0% rates and bond buying to boost asset prices & increase inflation
6. Govt: need to borrow and spend trillions more
7. Bitcoin: all-time highs

The Next Commodity Supercycle

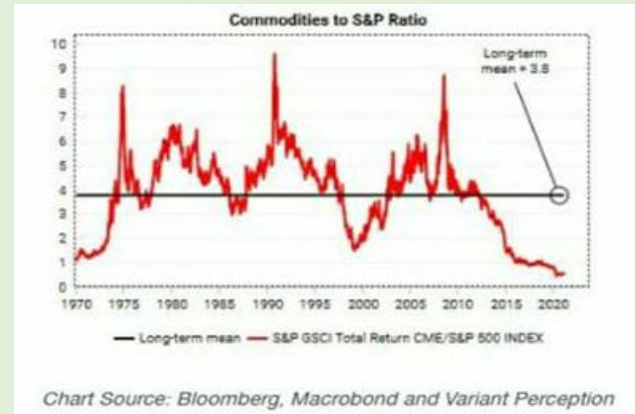
MAIN THEMES

There are three big drivers of the commodity supercycle:

- The long era of monetary-policy dominance is over, leading to a heightening of inflation risks not seen since the 1960s
- Investors are deeply underweight and will need real assets such as commodities as a hedge against inflation
- Commodities are generationally cheap, both compared to themselves and to other assets

It is rare in macro-forecasting when the stars align so perfectly. The combination of substantially different inflation risks, capital scarcity across several commodity sectors, and 50 years' of underperformance compared to financial assets

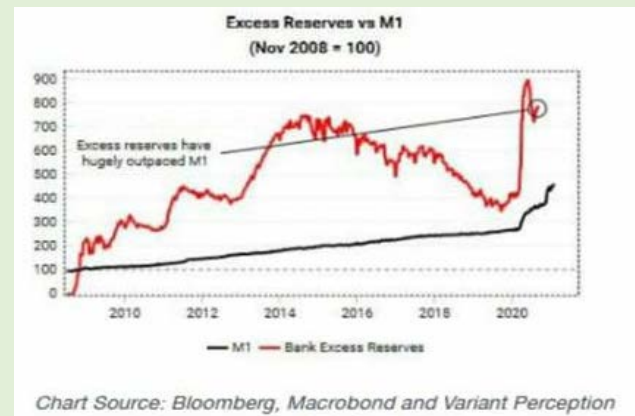
make commodities one of the most compelling long-term investment opportunities at the moment.



Policy Drivers of Supercycle

The convergence of fiscal and monetary policy represents a profound change to the investment landscape. Monetary policy, hitting up against zero rates and with central banks' balance sheets already bloated, it is becoming ever more incumbent on more fiscal policy to boost economies and inflation.

But policymakers should be careful what they wish for. Large government deficits financed by pliant central banks have preceded every high and hype-inflationary episode of the 20th century, from Weimar Germany in the 1920s, to Hungary in the 1940s, to Argentina in the early 1990. Quantitative Easing (QE) has lulled people into a false sense security as it was not inflationary. QE created a supply of dollars, and relied on the banking system to "transmit" those dollars. But a private sector still licking its wounds from the financial crisis did not want to borrow, and banks did not want to lend, which meant borrowing and therefore inflation did not sustainably pick up.



The Pandemic accelerated a trend that was already in place: the increasing impotency of QE. Now we need QE combined with large government deficit, which is a very different beast to QE on its own as it creates supply of money and a simultaneous demand for that money. History shows this has much greater inflationary potential.

U.S. Retail Sales Rise

U.S. retail sales rose by 7.4% year-on-year in January. The fastest pace since September 2011! U.S. retail sales rose by a whopping 5.3% in January, almost five times as much as expected. If you were wondering whether people are willing to spend their stimulus cheques, you have your answer.



The Revenge of the Old Economy



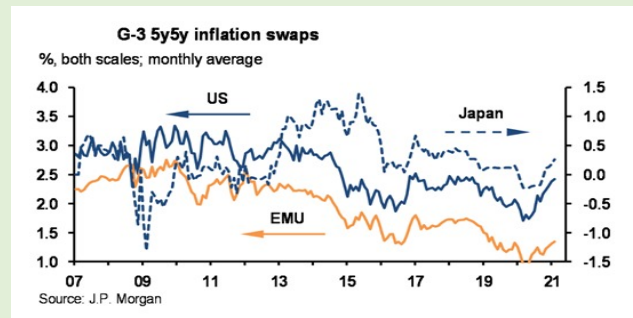
Here is why everything related to inflation, including wages and commodities, could stage a comeback. Prices in the real economy are lagging far behind prices on the financial markets. But with a historic amount of stimulus, focused increasingly on an 'old school' recovery, a catchup appears to be in the offing. Not before time. All things linked to inflation – not only consumer prices but also wages and commodities – have failed to keep pace with prices on the financial markets. Not surprisingly, as monetary policy, and to some extent also fiscal policy, has focused exclusively on the financial markets since the global financial crisis. This is indeed revenge of the old economy!

China Returns as Top India Trade Partner Even as Relations Sour



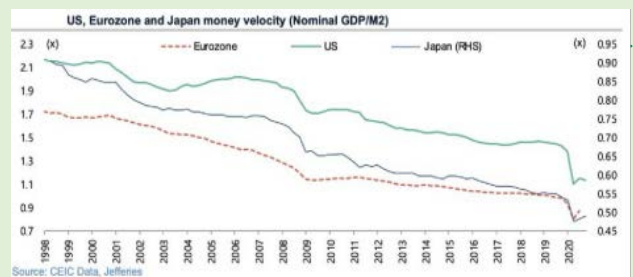
China regained its position as India's top trade partner in 2020, as New Delhi's reliance on imported machines outweighed its efforts to curb commerce with Beijing after a bloody border conflict. Two-way trade between the longstanding economic and strategic rivals stood at \$77.7 billion last year, according to provisional data from India's commerce ministry.

Inflation Expectations



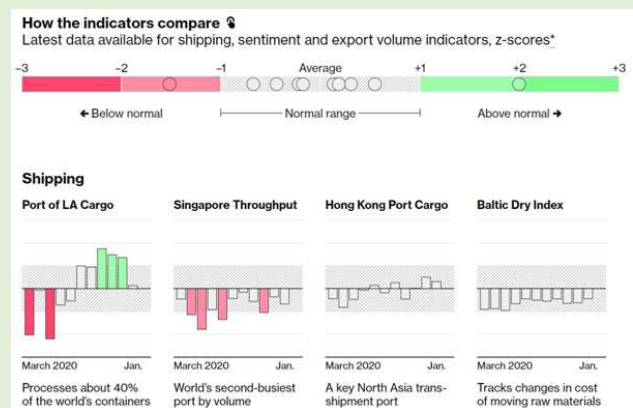
Inflation expectations are rising in unison all over the world, driven by higher energy and food prices.

Inflation Scare Justified?



Is the inflation scare justified? The Covid triggered lockdowns in Western world will turn out to have marked bottoming out in money velocity, Jefferies Wood says. He expects the first justified inflation scare in US economy, on the post-Covid re-opening trade, since the start of 1980s.

Latest Data for Shipping, Sentiment and Export Volume Indicators



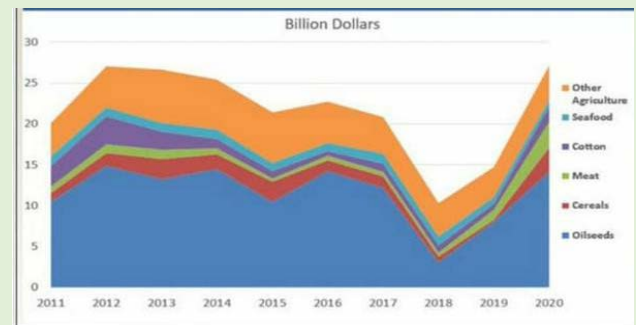
There's a lot of noise in economic data these days. Here's what to watch on the trade front as the global economy slogs through recovery.

China's Record Purchase of Corn a 'Watershed Moment'

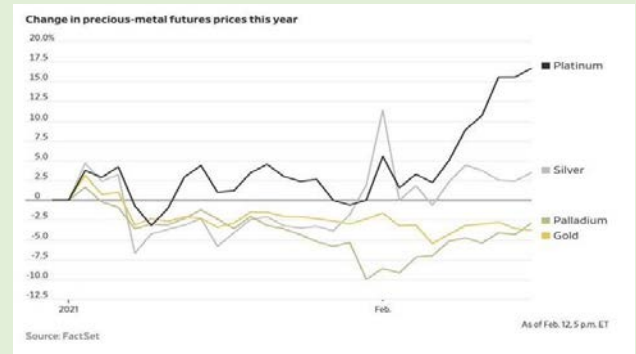


Traders were taken by surprise as demand for livestock feed drove a surge in grain prices. Record purchases by China have sent corn prices soaring since the end of last year, leaving farmers and analysts pondering how long the surge can be sustained. Rampant demand from the world's second-biggest economy has driven a fierce rally in grain prices in recent months. China has always relied on overseas markets for soybeans to feed its livestock. China bought a record 11.3m tonnes of corn last year, of which more than a third came from the U.S. Farmers will see some of the best profitability they have had in the last eight years.

Composition of U.S. Ag Exports to China



Platinum Jumps



Compiled by Shri. Kunal Thakkar

Pooja and aarti held on the occasion of Maghi Ganesh Jayanti on Feb 15, 2021



Shri. Shyam Makharia, Treasurer, CAI performs the aarti



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								(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) 2019-20 Crop February 2021					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	15th	16th	17th	18th	19th	20th
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	8492 (30200)	8520 (30300)	8520 (30300)	8520 (30300)	8605 (30600)	8717 (31000)
								Spot Rate (Upcountry) 2020-21 Crop					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	10854 (38600)	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)	10911 (38800)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	10995 (39100)	11023 (39200)	11023 (39200)	11023 (39200)	11023 (39200)	11051 (39300)
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	8802 (31300)	8830 (31400)	8830 (31400)	8830 (31400)	8858 (31500)	8942 (31800)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	10854 (38600)	10882 (38700)	10882 (38700)	10882 (38700)	10939 (38900)	10995 (39100)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	12232 (43500)	12232 (43500)	12232 (43500)	12232 (43500)	12260 (43600)	12260 (43600)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	9673 (34400)	9701 (34500)	9701 (34500)	9729 (34600)	9758 (34700)	9842 (35000)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	12373 (44000)	12373 (44000)	12373 (44000)	12373 (44000)	12401 (44100)	12401 (44100)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	10208 (36300)	10236 (36400)	10236 (36400)	10264 (36500)	10292 (36600)	10348 (36800)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	10967 (39000)	11023 (39200)	11023 (39200)	11051 (39300)	11107 (39500)	11164 (39700)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	12429 (44200)	12457 (44300)	12457 (44300)	12457 (44300)	12485 (44400)	12485 (44400)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	12176 (43300)	12176 (43300)	12176 (43300)	12204 (43400)	12232 (43500)	12260 (43600)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	12204 (43400)	12204 (43400)	12204 (43400)	12232 (43500)	12260 (43600)	12288 (43700)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	12176 (43300)	12204 (43400)	12204 (43400)	12204 (43400)	12288 (43700)	12317 (43800)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12429 (44200)	12485 (44400)	12457 (44300)	12457 (44300)	12457 (44300)	12457 (44300)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12485 (44400)	12513 (44500)	12513 (44500)	12541 (44600)	12598 (44800)	12626 (44900)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12513 (44500)	12541 (44600)	12541 (44600)	12570 (44700)	12626 (44900)	12654 (45000)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12513 (44500)	12570 (44700)	12541 (44600)	12570 (44700)	12654 (45000)	12654 (45000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	12823 (45600)	12879 (45800)	12879 (45800)	12879 (45800)	12991 (46200)	13048 (46400)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	12795 (45500)	12851 (45700)	12851 (45700)	12851 (45700)	13020 (46300)	13076 (46500)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	13188 (46900)	13216 (47000)	13216 (47000)	13273 (47200)	13357 (47500)	13385 (47600)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	13216 (47000)	13244 (47100)	13244 (47100)	13301 (47300)	13385 (47600)	13413 (47700)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	13357 (47500)	13413 (47700)	13413 (47700)	13469 (47900)	13554 (48200)	13554 (48200)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	18559 (66000)	18615 (66200)	18615 (66200)	18672 (66400)	18728 (66600)	18728 (66600)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	34	19262 (68500)	19318 (68700)	19318 (68700)	19375 (68900)	19431 (69100)	19431 (69100)

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