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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 4th January 2022 to 1st February 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 Dow Jones, 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

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.

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.

Some of the recent fundamental drivers for the domestic cotton prices are:

- Cotton futures in MCX are at all-time highs in line with international prices, as sentiment still remains positive due to the ongoing supply tightness and robust demand. Rising concerns over Omicron spread across the globe, rising supply in physical market and prospects of no-aggressive

CAI wishes all its readers a very Happy New Year 2022

procurement by CCI during peak arrival season, may limit gains in the natural fibre to some extent.

- This is despite being in the thick of the arrival season. Cotton daily arrivals were reported at around 180-185k bales (approximately). On CCI front, reports indicate that the government agency had offered to sell around 3900 bales in auction on Thursday. Cotton arrivals across the country as per Agmarknet data, in the month of December 2021, reached nearly 9.5 lakh tonnes, up by nearly 30% M-o-M & 8% Y-o-Y.

Some of the fundamental drivers for international cotton prices are:

- ICE cotton futures rose more than 3% to a 1-1/2 month high on Tuesday as upbeat sentiment across wider financial and commodity markets seeped into the U.S. cotton market. The first thing that's helping the cotton market is probably all of the outside markets.

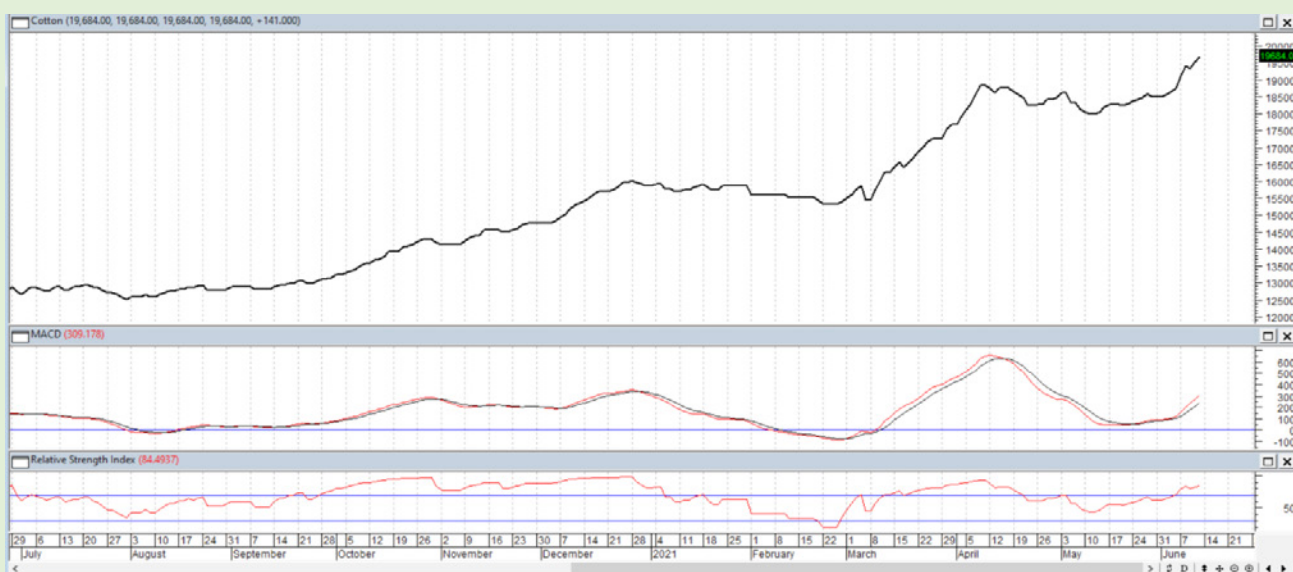
- Oil prices rose 2% as OPEC+ producers agreed to stick with their planned increase for February, while appetite for riskier assets remained strong. Higher oil prices make polyester, a substitute for cotton, more expensive. Chicago soybean and corn futures rose as prices were underpinned by forecasts of dry weather in South America that could hurt yields.

- The speculators increased net long position in cotton futures by 3,151 contracts to 72,355 in the week to Dec. 28, data from the Commodity Futures Trading Commission (CFTC) showed on Monday. Compared to the previous week, there has been a build-up of longs by speculators. The only worry is that prices are nudging higher in low volumes that could be a suspect.

- The Federal Commodity Futures Trading Commission (CFTC) publishes a report showing the quantity of cotton that has been bought or sold where the sales price has not yet been fixed. When these parties enter in to the "on call" contract, a futures contract would normally be sold to hedge the transaction. Later, when the mill actually fixes the price, that short futures position would be bought back. The latest report hints that the March position which has the maximum open position, saw some unwinding resulting in the bullishness we are noticing presently in ICE futures.

Guj ICS Price Trend

As mentioned in the previous update, corrections could be short-lived and the trend could resume higher towards 19,000-500 eventually. Prices moved exactly as per expectations. More upside likely to 21,000 at least in the near-term, with a possibility even to extend to 22,500 eventually. But the, highly overbought conditions warn of being cautiously optimistic from present levels.



MCX Jan Contract Chart

The MCX benchmark cotton prices moved higher as expected. The weekly/daily charts are dominated by bullish indications, favouring further advance towards 36870. The steady rise in Volume as well as



Open Interest is likely to fuel a further rally. Charts continue to be bullish but a dip below 35500 might caution about the start of a correction.

ICE Cotton Futures



As mentioned previously, any unexpected rise above \$1.09 could cause doubts on our bearish expectations for 97-98c. Bullish trend and momentum indications in the weekly/daily charts indicate that the next objective would be at 118.30 followed by a strong resistance at 119.20. Supports are near 115.50 and 114.60. It must fall below 114.00 to warn about the possibility of a stronger retracement. Though we see upside in the coming weeks, medium-term picture warns of a strong decline in the offing.

Conclusion

The domestic prices are hinting at more upside in the coming weeks, but with the possibility of a downward correction and retracements subsequently, as prices seem to be extremely overbought. International cotton futures are showing bullish signs and it needs to be seen if markets are able to take the \$1.20 level, which could be a strong resistance. Important support is at \$1.12 followed by \$1.02c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices have risen sharply higher as expected, and perfectly in line with our expectations over the past several months

now. The international price indicates that it is in the process of a mild rise followed by a downward correction in the coming sessions with possibility of extreme moves.

For Guj ICS supports are seen at 18,900/qtl and for ICE Dec cotton futures at \$1.12 followed by \$1.05c. The domestic technical picture looks

extremely bullish now but one needs to be cautiously bullish, as prices are ruling at all-time highs. It could grind higher. The international prices are relatively less bullish compared to the domestic prices. We expect domestic prices to see a sharp retracement lower. Therefore, we can expect sharp moves either ways, in both domestic and international prices.

Important Changes in GST w.e.f. 1st January 2022

Shri. Ronak Sandip Jain is a Partner in Jain Advocates, Ahmedabad. He is a practicing advocate of indirect taxes upto the appellate level in Gujarat as well as other states of India. He has been on various committees of the Gujarat sales tax bar association: Member of Law Committee (2015-2016), Member of Website Committee (2015-2016) and Member of EDP

**EXPERT'S
Column**



Shri. Ronak Jain
Partner, Jain Advocates

representation and Website Committee (2016-2017 and 2019-2020).

He is an accredited GST trainer from the National Academy of Customs, Excise & Narcotics, Faridabad. He has delivered lectures on GST at various trade forums, professional associations and also at departmental outreach programmes. He has also participated in various GST discussions in the print and electronic media.

Issuance of Credit Note under GST Act

Where a Tax Invoice has been issued for supply of goods or services or both and;

- the value declared in the invoice is more than the actual value of the goods or services provided; or the rate of GST or Tax amount charged is at a higher rate than what is applicable for the kind of goods or services supplied; or
- the quantity received by the recipient is less than what is mentioned in the tax invoice; or
- the goods supplied are returned by the recipient; then the registered person, who has supplied such goods or services or both, shall issue a Credit Note to the recipient.

Effect in GSTR -1 Return: Such note is shown in CDNR SHEET.

Issuance of Debit Note under GST Act

Where a Tax Invoice has been issued for supply of goods or services or both and;

- the value declared in the invoice is less than the actual value of the goods or services provided; or
- the rate of GST or Tax amount charged is at a lower rate than what is applicable for the kind of goods or services supplied; then the registered person, who has supplied such goods or services or both, shall issue a Debit Note to the recipient.

Once the Debit Note is issued, the tax liability of the supplier will increase.

Effect in GSTR -1 Return: Such note is shown in B2B SHEET.

Who is supposed to Issue Credit Note or Debit Note?

- Only a Supplier is allowed to issue a Credit or Debit

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

US\$INR Monthly Report: January 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

During the month of December-2021, USD and INR witnessed sharp volatility as the pair made a CY 2021 high of 76.31 from where it declined to low of 74.25. rising virus cases and hawkish Fed led to sharp upmove in US\$ which dented the risk sentiment and also affected the Rupee levels. The further gains in pair were restricted amidst speculation that Central bank may have intervened to arrest the further decline in the rupee. However, we are of the view that that the rupee is likely to remain under pressure in near term as the virus spread threat still persists while the US\$ too remains upbeat. We are of the view that US\$INR is likely to see the range of 74.0 - 76.0 for the month of January 2022.

Following will be the key triggers for USDINR in the month of January 2022:-

✓ Threat of Third Wave: The risk of third wave in India has increased as the virus spread has started in major cities like Mumbai and Delhi. Rising virus cases may trigger some kind of restrictions which may lead to selling attack on the rupee as this could lead to concern over ensuing economic recovery

✓ Rise in Brent Oil Prices: Brent Oil prices have risen sharply in month of December from the lows of almost \$65/bl at the start of December to currently almost at \$80/bl, a gain of almost 20%. Oil prices above \$80/bl is known to affect the trade deficit which is already running at almost \$20-22 bn a month since last 3 months

EXPERT'S Column



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

✓ Fed Policy: US\$ continue to remain upbeat as the Fed has already doubled its tapering amount from \$15bn a month \$30 bn a month with increasing speculation that the Fed may do two rate hikes of 0.25% in 2022. However, the speculation is rising that Fed may do an interest rate hike as early as March 2022 which would exert the pressure on Em currencies including rupee

✓ Upbeat US\$ Index: Dollar index remains upbeat riding on the back of widening monetary divergence between Fed and other central banks while even the rising virus cases is leading the safe haven buying in US\$

✓ RBI's Forex Strategy: RBI remains an important participant in the Forex market. Currently it has Forex reserve of almost \$635 bn. Hence any surge in US\$INR could also see the central bank selling US\$ at higher rates. Also on the flip side, the central bank may arrest sharp rupee appreciation as it is likely to hurt export and induce further imports.

✓ FII Inflows : FII's have been consistently selling in domestic assets since October. In the last three month, the FII's have almost sold \$5.7 bn , with highest selling of almost \$3.7bn done in December. With expectations of rising interest rates in major countries coupled with the concern over possibility of virus surge in India in Jan-Feb, FII investors may remain cautious towards India.

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

(₹\Quintal)

UPCOUNTRY SPOT RATES

December 2021

2020-21 Crop

Growth	P/H/R (SC)	P/H/R (SC)	P/H/R (SC)	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	P/H/R (SC)	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL	M(MP)/SA/TL		
Grade Standard	ICS-101	ICS-201	ICS-102	ICS-103	ICS-104	ICS-202	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	
Grade	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	Fine	
Staple	Below 22mm	Below 22mm	22 mm	23 mm	24 mm	27 mm	26 mm	27 mm	27 mm	27 mm	27 mm	28 mm	28 mm	28 mm	28 mm	28 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	29 mm	
Micronaire	5.0-7.0	5.0-7.0	4.0-6.0	4.0-5.5	4.0-5.5	3.5-4.9	3.0-3.4	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	3.7-4.5	
Gravimetric Trash	4%	4.5%	13%	4.5%	4%	4.5%	4%	4%	4%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Strength/GPT	15	15	20	21	23	26	25	26	25	25	26	27	27	27	27	27	28	28	28	28	28	28	28	28	28	28	28	28	28	
1	-	-	10404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	10348	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	10404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	10404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	10320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	-	-	10320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	-	-	10376	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	10376	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	10404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	10404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	-	-	10461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	10601	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	10657	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	10686	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	-	-	10770	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	H	O	-	L	I	A	D	Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	11135	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	-	-	11417	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	-	-	11417	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	11501	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	-	-	11810	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H	-	-	11810	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L	-	-	10320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A	-	-	10653	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

H = Highest L = Lowest A = Average

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) 2020-21 Crop December 2021 – January 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	27th	28th	29th	30th	31st	1st
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	11135 (39600)	11417 (40600)	11417 (40600)	11501 (40900)	11810 (42000)	11810 (42000)
								Spot Rate (Upcountry) 2021-22 Crop					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	12738 (45300)	12879 (45800)	12879 (45800)	12879 (45800)	13020 (46300)	13020 (46300)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	12907 (45900)	13048 (46400)	13048 (46400)	13048 (46400)	13188 (46900)	13188 (46900)
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	24mm	4.0 – 5.5	4%	23	14904 (53000)	15185 (54000)	15129 (53800)	15241 (54200)	15325 (54500)	15325 (54500)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	17940 (63800)	18222 (64800)	18165 (64600)	18334 (65200)	18503 (65800)	18503 (65800)
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	18081 (64300)	18362 (65300)	18306 (65100)	18475 (65700)	18643 (66300)	18643 (66300)
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	18447 (65600)	18728 (66600)	18672 (66400)	18840 (67000)	19009 (67600)	19009 (67600)
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	18390 (65400)	18559 (66000)	18503 (65800)	18728 (66600)	18840 (67000)	18840 (67000)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	19037 (67700)	19403 (69000)	19346 (68800)	19543 (69500)	19684 (70000)	19684 (70000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	19093 (67900)	19459 (69200)	19403 (69000)	19600 (69700)	19740 (70200)	19740 (70200)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	19093 (67900)	19403 (69000)	19346 (68800)	19543 (69500)	19684 (70000)	19684 (70000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	19459 (69200)	19796 (70400)	19796 (70400)	19937 (70900)	20106 (71500)	20106 (71500)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	19600 (69700)	19937 (70900)	19937 (70900)	20078 (71400)	20246 (72000)	20246 (72000)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	19909 (70800)	20246 (72000)	20246 (72000)	20387 (72500)	20556 (73100)	20556 (73100)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	19993 (71100)	20331 (72300)	20331 (72300)	20471 (72800)	20640 (73400)	20640 (73400)
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	31213 (111000)	31213 (111000)	31213 (111000)	31213 (111000)	31213 (111000)	31213 (111000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	31494 (112000)	31494 (112000)	31494 (112000)	31494 (112000)	31494 (112000)	31494 (112000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	32197 (114500)	32197 (114500)	32197 (114500)	32197 (114500)	32197 (114500)	32197 (114500)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	33322 (118500)	33322 (118500)	33322 (118500)	33322 (118500)	33322 (118500)	33322 (118500)

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