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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the Period 9th January 2024 to 6th February 2024

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 prices remained flat amid limited buying from spinning mills. Spinning mills were very slow in the fresh purchase of the natural fibre, as they lacked confidence in the demand from the weaving industry. Demand could also slow down due to the upcoming Pongal festivities.

- As per ICAL data North India cotton arrivals between Oct-Dec 2023 were at 21.21 lakh bales (170 kgs each). As per ICAL's forecasts 2023-24 crop is estimated at 44.67 lakh bales. If the crop size estimate

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.

is realised actually then until Dec 2023 around 47% of arrivals have been completed in the North Zone. In 2022-23 total cotton production in the North Zone was at 41.18 lakh bales.

- As per CAI data as on Dec 31, daily arrivals were at cumulative 102 lakh bales.

International Markets

- ICE cotton futures rose slightly on Tuesday as strength in the broader commodities market offset pressure from a firmer dollar, while traders strapped

in for federal reports due later this week. Oil prices rose on the Middle East crisis and a Libyan supply outage, making cotton-substitute polyester more expensive.

• Traders are awaiting the United States Agriculture Department's weekly export sales data due on Thursday and the year's first World Agricultural Supply and Demand Estimates (WASDE) report due on Friday. China purchases will recede as the country gets into Lunar New Year holidays. While reviewing the bullish and bearish factors, it appears the bearish factors outweigh the bullish.

Bearish

- On-Call purchases high compared to On-Call purchases.
- U.S. is losing export share to Brazil as it hits record production.
- Cotton losing market share to manmade fibres
- Southern hemisphere moisture projects another big crop.
- World consumption continues to fall.
- Middle East War will continue to boost inflation.
- U.S. border crisis will require more unfunded spending for migrants.
- U.S. inflation problem continues.
- Technical indications are not supportive.

Bullish

- U.S. carryover of 3.0-3.2 million bales.
- World carryover of 81-83 million bales.
- Mill business at bottom of cycle.
- U.S. production will be 16.5 million bales or lower.
- 76-77 cent support is very strong.
- FED expected to cut rates in 2024 that could come as a relief for businesses.

Shankar 6 Guj ICS Price Trend

As expected, prices are struggling to gain a footing. The only thing that is cushioning the fall is the current proximity to the MSP. Any upticks higher is being met with weak demand both domestic and overseas. Such upticks could be limited to 16,000. The 15,000 level is expected hold but any unexpected decline could see more falls to 52,500-53,000 levels too, before bouncing higher again.

MCX Cotton Candy Jan: After the bounce to 62,000, prices have once again tested important supports near 55,000 levels. Prices have inched lower from there unable to sustain on the back of poor demand. It is most likely headed to 53,000 levels again where strong supports kick in now. We expect a pullback to 58,000-58,500 levels in the near-term where it could once again find it tough to cross in the coming weeks.

ICE Mar 24 Cotton Futures

The chart picture still suggest it is more likely to stay under 85-86 and dip towards 75c initially with an outside chance of extending to 72c too. Failure to hold here could lead to a



sharper fall below 70c too. Unexpected rise and close above 85c could hint at further resistance at 88-89c zone where it has failed four times in the past six months so far. Prices have spent a good amount of time in the 75-89c range with factors both positive and negative where negatives outweigh the positives. Our favoured view is still bearish for the medium-term though chances exist for some near-term upticks which could be short-lived.

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 make or break the profit margins.

Hedging high priced inventories in a falling market could help offset some losses from the recent fall in cotton prices. A good opportunity to protect the inventory value of purchases, is now to Buy PUT options (Out of the money) around peaks at 83-85c in ICE futures. This will help in mitigating any expectations of further declines. However, if the market does rise, it is only the premium for PUT's that has to be borne.

A container of yarn roughly uses 150 bales of raw material cotton. That much of raw material price risk is what one is exposed to till the yarn is sold. The OPTION Is ICE futures, USA helps in inventory management. MCX Candy contracts recently launched should be a good testing ground for mills and exporters desirous of hedging their price risk in ICE futures and options.

Conclusion

The domestic prices came off around 59,000 per candy levels and declined all the way from there nearing MSP levels, a strong long-term support. Prices could pull back towards 57,500-58,000 levels again. Most positive factors relating to supply have been priced in largely, as price always has an ability to discount present scenario and look ahead where both domestic and international arrivals are expected to weigh on prices. However, the demand picture could turn mildly friendly as global economies rebound and the FED finally signals an end to rate hike cycle. But the signals so far indicate that the market is going ahead of itself in its expectations for a rate cut as early as March. Strong resistance is presently noticed in the 58,000-59,000 per candy levels presently and may find it tough to cross that in the near-term. Any bright spots appearing on the demand horizon in the form of pause in interest rates and domestic CCI putting a floor to prices are not likely to last long.

Important support in ICE is at \$75-77c range followed by \$71 on the downside and in that zone, prices could find a lot of buying interest again. We expect prices to edge higher again after testing critical resistances at 83-85c before declining lower. The international price indicates that it is in the process of declining further, as most positive fundamentals which supported prices in the last six months comes to an end amid demand weakness.

For Shankar 6 Guj ICS supports are seen at 54-55,000 per candy and for ICE Dec cotton futures at \$75c now. The domestic technical picture looks overdone on the sell side hinting at a possible reversal in the making, but any upticks could be limited. Therefore, we can expect prices to pullback initially followed by a strong decline in the international prices and the domestic prices remaining flat as MSP supports.

ICAC 81st Plenary Meeting in Mumbai

2nd December, Inaugural Session



Lighting of the lamp



Release of the Customised Corporate My Stamp on Kasturi Cotton and Special Cover with Special Cancellation

The Government of India, Ministry of Textiles hosted the 81st Plenary Meeting of the International Cotton Advisory Committee (ICAC) in Jio World Convention Centre, Mumbai during 2nd - 5th December, 2023 through the Office of Textile Commissioner in association with the Cotton Corporation of India Limited (CCI), the Confederation of Indian Textile Industry (CITI) and the Cotton Association of India (CAI). It was a matter of honour and pride for India to host this event after nearly eight years.

Inaugurated by Mr. Piyush Goyal, Union Minister of Textiles, Commerce & Industry and Consumer Affairs, Food & Public Distribution, Government of India, the theme of this Plenary Meeting was "Cotton Value Chain: Local Innovations for Global Prosperity".

Textile Commissioner, India, Ms. Roop Rashi, delivered the welcome address and Ms. Rachna Shah, Secretary of India's Ministry of Textiles, invited attendees to return to India and attend the upcoming Bharat Tex 2024 event, to be held in New Delhi from 26-29 February.

ICAC Executive Director Mr. Trachtenberg reiterated the ICAC's commitment to its mission – to serve the cotton and textile community through promotion, knowledge sharing, innovation,

partnerships, and providing a forum for discussion of cotton issues of international significance – and highlighted the ICAC's core competencies. He also welcomed Brazil, Cameroon, and Kenya back into the ICAC fold.

Mr. Patrick Packnett, Acting Standing Committee Chair during the Plenary Meeting, welcomed all attendees and congratulated the local Organising Committee for their hard work.

Dr Mike Bange, Commercial Research Manager of CSD in Australia, was recognised as the 2023 ICAC Researcher of the Year by ICAC Chief Scientist Dr. Keshav Kranthi.

The heads of ICAC Panels and Committees – the Private Sector Advisory Council (PSAC), the Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP), the Task Force on the Commercial Standardization of Instrument Testing of Cotton (CSITC), and the International Cotton Researchers Association (ICRA) – delivered brief updates on their activities during the previous year.

Finally, the Chair of the session, Mr Piyush Goyal, India's Minister of Textiles, Commerce & Industry and Consumer Affairs, Food & Public Distribution, commemorated Kasturi Cotton Bharat, India's first-

ever cotton brand, and expressed his confidence that the efforts of India – and the cotton and textile industry as a whole – can achieve a circular economy and leave a better world for future generations than the one we inherited.

First Open Session: Technologies to Increase Productivity was chaired by Mrs. Shubha Thakur, Joint Secretary (Crops), Ministry of Agriculture and Farmers' Welfare and co-chaired by Mr. T. Raj Kumar, Chairman, Standing Committee on Cotton of Confederation of Indian Cotton Industry.

3rd December

Second Open Session: Reports from the ICAC Secretariat was chaired by Mr. Lalit K. Gupta, Chairman-cum-Managing Director, Cotton Corporation of India, and co-Chaired by Mr. Sourabh Kulkarni, Director, Office of the Textile Commissioner.

This was one of the most anticipated and information-packed sessions of the entire event as these presentations drew on the deep expertise of ICAC staff to cover the most important drivers of the global cotton economy. The speakers included Head of Textiles, Mr. Kanwar Usman, whose presentation was on 'Forecasting Global Textiles Demand and Supply: Trends and Insights'; Chief Scientist, Dr. Keshav Kranthi speaking on 'Global Economics of Cotton Production'; Commodity Trade Analyst, Ms. Parkhi Vats, who discussed 'World Cotton Market Outlook' and Economist Ms. Lorena Ruiz who made a presentation on 'Production and Trade Subsidies Affecting the Cotton Industry'.

Third Open Session - PSAC: Private Sector Guidelines for Policy Making on Traceability was chaired by Mr. Peter Wakefield, CEO, Wakefield Inspection Services, Taiwan.

First Breakout Session: Gearing Towards Sustainable Farming



The First Breakout Session was chaired by Mr. Lalit Mahajan, Senior Vice-President, Cotton & Yarn Procurement, Welspun Group and co-chaired by Mr. Mahesh Sharda, Past President, Indian Cotton Association Ltd.

Fourth Open Session: Global Efforts in Branding Sustainability and Quality Assurance was chaired by Mrs. Prajakta Verma, Ministry of Textiles, Government of India and co-chaired by Mr. Sunil Patwari, Chairman, The Cotton Textiles Promotion Council.

Second Breakout Session: Panel Discussion: Challenges with Price Risk Management in Cotton



The Second Breakout Session was chaired by Mr. Atul Ganatra, President, Cotton Association of India and moderated by Ms. Lorena Ruiz, Economist, ICAC.

Second Plenary Session: Presentations by Government Members which was chaired by Mrs. Prajakta Verma, Ministry of Textiles, Government of India.

Third Breakout Session: Panel Discussion on Combating Pest Management Challenges



The Third Breakout Session was chaired by Dr. Y.G. Prasad, Director, ICAR-Central Institute for Cotton Research and co-chaired by Dr. A.L. Waghmare, Director, Directorate of Cotton Development.

4th December

Fifth Open Session: Climate-smart Innovations as Game Changers in Cotton Production, was chaired by Dr. Keshav Kranthi, Chief Scientist, ICAC, was the only session that was given a half-day of discussion during the 81st Plenary Meeting.

The speakers were Ms. Alexandra Perschau, Standard and Outreach, Cotton Made in Africa,

AbTF, Dr. Y.G. Prasad, Director, ICAR-CICR, Dr. Marc Giband, Cotton Correspondent at CIRAD, Dr. Michael Bange, Commercial Research Manager at CSD in Australia, Mr. Mahesh Ramakrishnan, Vice President, Cotton BU Sustainability, Olam Agri, Mr. Ganesh Babu Krishnappa, Managing Director at Boomitra and Mr. Rajeev Baruah, Global Agronomic Manager at Primark.

Sixth Open Session: World Café 'Technological Innovations for Global Collaborations' was chaired by Ms. Roop Rashi, Textile Commissioner, Ministry of Textiles, India and coordinated by Mr. Mike McCue, ICAC Communications Director. Group discussions were arranged on 11 topics of international significance to cotton and textiles.

Seventh Open Session: Industry 4.0 for Textiles: Smart Manufacturing in Textiles was chaired by Mr. Rajeev Saxena, Joint Secretary, Ministry of Textiles, Government of India and moderated by Ms. Parkhi Vats, Commodity Trade analyst, ICAC

Fourth Breakout Session: Perspectives in Value Addition was chaired by Mr. Narendra Goenka, Chairman, Apparel Export Promotion Council and co-chaired by Mr. Raman Dutta, Founder and National General Secretary, Brand and Sourcing Leaders Association, India.

5th December

Eighth Open Session: Genetics, Diversity to Enhance Cotton Production was chaired by Mr.

Suresh Kotak, Past President, Cotton Association of India and co-chaired by Dr. M.V. Venugopalan, Former Principal Scientist, Central Institute for Cotton Research.

Fifth Breakout Session: Panel Discussion on Sustainability in Small Farms: Can Farm/Producer Organizations Lead the Way?



The Fifth Breakout Session was moderated by Mr. Manish Daga, President, All India Cotton Farmer Producer Organization Association and was followed by a conversation with two progressive farmers.

Ninth Open Session: Advances in Textile Technologies was chaired by Mr. Rohit Kansal, Additional Secretary, Ministry of Textiles, Government of India and co-chaired by Mr. K.M. Subramanian, President, Tiruppur Exporters' Association, Tiruppur.

Sixth Breakout Session: International Organizations, Initiatives and Projects Concerning Cotton was chaired by Dr. P.K. Agarwal, Advisor, Sustainability, The Cotton Corporation of India Ltd. and co-chaired by Dr. K. Selvaraju, Secretary General, The Southern India Mills' Association.

Seventh Breakout Session: Investments and Advances in the Cotton Value Chain was chaired by Mr. K.K. Lalpuria, Executive Director & CEO, Indo Count Industries and co-chaired by Mr. Anil Rajvanshi, President, Reliance Industries Ltd.

Closing Plenary Session: Chaired by Mr. Patrick Packnett, Immediate Past Chair of the Standing Committee.



Glimpses of CAI's Annual Dinner on 24th December at Royal Western India Turf Club Mumbai



UPCOUNTRY SPOT RATES								(Rs./Qtl)					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	Spot Rate (Upcountry) 2022-23 Crop January 2024					
								1st	2nd	3rd	4th	5th	6th
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	12148 (43200)	12092 (43000)	12092 (43000)	12092 (43000)	12063 (42900)	12063 (42900)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	13723 (48800)	13666 (48600)	13666 (48600)	13666 (48600)	13638 (48500)	13638 (48500)
Spot Rate (Upcountry) 2023-24 Crop													
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	13216 (47000)	13188 (46900)	13188 (46900)	13132 (46700)	13132 (46700)	13188 (46900)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	13357 (47500)	13329 (47400)	13329 (47400)	13273 (47200)	13273 (47200)	13329 (47400)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	14454 (51400)	14454 (51400)	14454 (51400)	14482 (51500)	14482 (51500)	14538 (51700)
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	14594 (51900)	14594 (51900)	14594 (51900)	14622 (52000)	14622 (52000)	14679 (52200)
9	M/M(P)/ SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	13863 (49300)	13807 (49100)	13807 (49100)	13835 (49200)	13779 (49000)	13779 (49000)
10	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	14397 (51200)	14341 (51000)	14341 (51000)	14369 (51100)	14341 (51000)	14341 (51000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	14763 (52500)	14763 (52500)	14763 (52500)	14791 (52600)	14791 (52600)	14847 (52800)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	14988 (53300)	14988 (53300)	14988 (53300)	15016 (53400)	15016 (53400)	15016 (53400)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15044 (53500)	15044 (53500)	15044 (53500)	15072 (53600)	15072 (53600)	15072 (53600)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	15241 (54200)	15241 (54200)	15241 (54200)	15297 (54400)	15297 (54400)	15297 (54400)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15129 (53800)	15129 (53800)	15129 (53800)	15157 (53900)	15129 (53800)	15157 (53900)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15269 (54300)	15269 (54300)	15269 (54300)	15297 (54400)	15297 (54400)	15297 (54400)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15325 (54500)	15325 (54500)	15325 (54500)	15353 (54600)	15353 (54600)	15353 (54600)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15466 (55000)	15466 (55000)	15466 (55000)	15522 (55200)	15522 (55200)	15522 (55200)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	15466 (55000)	15466 (55000)	15466 (55000)	15494 (55100)	15494 (55100)	15494 (55100)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	15522 (55200)	15522 (55200)	15522 (55200)	15550 (55300)	15550 (55300)	15550 (55300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15747 (56000)	15747 (56000)	15747 (56000)	15775 (56100)	15775 (56100)	15775 (56100)
22	SA/TL/ K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15803 (56200)	15803 (56200)	15803 (56200)	15832 (56300)	15832 (56300)	15832 (56300)
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	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	21934 (78000)	21934 (78000)	21934 (78000)	21934 (78000)	21934 (78000)	21934 (78000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	22215 (79000)	22215 (79000)	22215 (79000)	22215 (79000)	22215 (79000)	22215 (79000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)

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