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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures
for the period 19/01/16 to 02/02/16

(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 above information.)

We will look into the Guajrat-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 are moving steadily in line with international prices. India's cotton production is estimated to fall in the current year due to lower acreage and drastically lower yields. Increased consumption and reduction in carry forward stocks overall, underpins cotton price.

- In the domestic market, a continued decline in estimated cotton production by the Cotton Association of India (CAI) since October last year, means the country will still end up with 134.65 lakh bales surplus this season.

- The Cotton Association of India (CAI) has estimated the total cotton availability for the year 2015-16 at 449.65 lakh bales that include this year's

production of 357 lakh bales, a stock of 78.65 lakh bales of last year and 14 lakh bales imported cotton. This means that the country can expect a better export performance this year.

- The cotton production for the present season had reduced since October last year due to a severe pest attack in Gujarat and Punjab and bad weather conditions in some places.

Some of the fundamental drivers for International cotton prices are:

- Cotton Benchmark futures in New York ICE cotton futures were lower on Tuesday, and touched a near three-month low earlier in the week, as another day of significant losses on top-consumer China's stock indices raised concerns. Speculators reduced their net long positions in cotton contracts on ICE Futures U.S. in the week ending Jan. 12, U.S. Commodity Futures Trading Commission data showed on Friday.

- The U.S. cotton research firm, Cotton Outlook, sees cotton inventories declining more than previously expected in the 2015/16 crop year due to lower production in South Asian countries and higher demand in Vietnam. The International Cotton Advisory Committee (ICAC) slightly reduced its outlook for global stocks by the end of the 2015/16 marketing year through end-July and pegged the 2015/16 world cotton ending stock at 20.59 million tonnes in its monthly report.

- Cotlook earlier cut 2015/16 global output estimate by 484,000 tonnes from last month's forecast to 21.9 million tonnes. This lowers Pakistan output

**EXPERT'S
Column**



Shri Gnanasekar Thiagarajan

estimate by 200,000 tonnes to 1.6 million tonnes, lowers India output by 128,000 tonnes to 6.1 million tonnes, and lowers U.S. output by 67,000 tonnes to 2.8 million tonnes.

Let us now dwell on some technical factors that influence price movements.

As mentioned earlier, there are already signs that prices could be reversing the bearish trend and this will be confirmed on a rise above 9,500-600/qtl. Though prices have crossed it, but it is yet to confirm the bullish trend that we have been expecting. Strong resistance will however be seen around the 9500-600/qtl levels. Such a rise above 9,600 /qtl, will revive our hopes of a rally back towards 9,800-10,000/qtl levels. Any dip to 9,200-300/qtl, now could hold support for prices to move higher again. Failure to hold support here could have bearish implications.

Indicators are displaying neutral tendencies, which could see prices moving in a broad range before beginning a new trend which could be on the upside. Indicators are neither overbought nor oversold and therefore moving in a neutral zone presently. Once the correction ends, prices are expected to continue their upward march. Prices could consolidate in the 9,100-400/qtl levels and then edge higher in the coming months towards a target of 10,500-700/qtl. This is our favoured view. Any unexpected fall below 9,100/qtl could hint at bearishness again.

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

As mentioned in the previous update, it looks more likely that prices could consolidate in the 63-65c range and test the important resistance around 67c. After the consolidation, it has been gradually inching lower. Good support is presently seen near 61-62c range now.

Only a decline below 60.20c in the March contract now could warn that the bullish picture has been negated and a strong decline could begin again. Such a fall could take prices lower, with 57c being the next important support followed by 55c. Presently, it looks more likely that prices could consolidate for some more time in the 61-64c range and subsequently test the important resistance around 67c. Our favoured view expects prices to edge higher while 61c holds attempts to decline.

CONCLUSION:

As mentioned earlier, both the domestic and international prices have recovered from their recent lows. For Guj ICS supports are seen at 9,000-9,100 /qtl and for ICE March cotton futures at 61-62c followed by 60.20c. Only an unexpected rise above 9,600 /qtl could confirm that the picture has changed to bullish in the domestic markets. The international markets are indicating a mild bullish trend now, and the indicators have turned friendly, but it still needs to surpass key resistance levels around 67c levels for the trend to turn convincingly bullish again, till then we remain neutral on both the markets.





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Cotton Arrivals Lag Behind Last Year

The Cotton Association of India (CAI) has released its December estimate of the cotton crop for the 2015-16 season, which began on 1st October 2015. The CAI has placed its December estimate of the cotton crop for the 2015-16 season at 357.00 lakh bales of 170 kgs. each. The projected Balance Sheet drawn by the CAI estimated total cotton supply for the season 2015-16 at 449.65 lakh bales while the domestic consumption is estimated at 315.00 lakh bales thus leaving an available surplus of 134.65 lakh bales. A statement containing the State-wise estimate of the cotton crop and the Balance Sheet for the season 2015-16 with the corresponding data for the previous crop year is given below.

The arrivals of cotton during the ongoing 2015-16 crop year are estimated to be lower than those upto the same period last year. This is due to the fact that the farmers are holding back seed cotton expecting better prices. The arrivals are lower this year also due to the relatively lower crop estimated for the 2015-16 crop year compared to the last year.

CAI's Estimates of Cotton Crop as on 31st December 2015 for the Seasons 2015-16 and 2014-15

(in lakh bales)

State	Production *		Arrivals As on 31st Dec. 2015 (2015-16)
	2015-16	2014-15	
Punjab	9.00	13.00	3.95
Haryana	16.50	23.50	7.10
Upper Rajasthan	5.75	6.50	2.40
Lower Rajasthan	11.00	10.50	5.30
Total North Zone	42.25	53.50	18.75
Gujarat	96.50	108.00	29.00
Maharashtra	81.75	78.50	31.00
Madhya Pradesh	19.00	18.00	9.60
Total Central Zone	197.25	204.50	69.60

Telangana	58.00	55.25	22.00
Andhra Pradesh	26.00	25.75	8.75
Karnataka	20.00	30.50	6.50
Tamil Nadu	7.50	7.25	1.50
Total South Zone	111.50	118.75	38.75
Orissa	4.00	4.00	0.75
Others	2.00	2.00	0.50
Total	357.00	382.75	128.35

Note: (1) * Including loose

(2) Loose figures are taken for Telangana and Andhra Pradesh separately as proportionate to the crop for the purpose of accuracy

The Balance Sheet drawn by the Association for 2015-16 and 2014-15 is reproduced below:-

(in lakh bales)

Details	2015-16	2014-15
Opening Stock	78.65	58.90
Production	357.00	382.75
Imports	14.00	12.00
Total Supply	449.65	453.65
Mill Consumption	276.00	278.00
Consumption by SSI Units	26.00	27.00
Non-Mill Use	13.00	10.00
Exports		60.00
Total Demand	315.00	375.00
Available Surplus	134.65	
Closing Stock		78.65



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Running for Cotton

Mumbai brushed off its Sunday lethargy and came out in full force to participate in the 13th edition of the Standard Chartered Mumbai Marathon (SCMM), on January 17, 2016. With an all-time high of 40,285 registrations, Asia's richest marathon with prize money of \$377000, is not just about racing against the clock, but is also the biggest philanthropy platform, chasing a charity purse that hopes to cross the Rs. 25 crore mark this year.

SCMM is the single largest mass participation charity event in Asia, with over 40,000 runners across different categories such as Full Marathon, Half Marathon, Dream Run, DHL Corporate Champions, Senior Citizens Run and Champions with Disability.

While some runners participate for pure athletic reasons, many others participate to support a cause they are passionate about. This latter



Shri. Swapnil Shendre, full marathoner



Shri R.R. Vinod full marathoner with his wife Dr. Uma Vinod, half marathoner.



Shri. Rishit Dholakia



Shri. Kunal Thakkar



Shri. Manek Gupta

Half Marathoners



Shri. Raja Gokulgandhi



Shri. Arunkumar Khetan

category included the team of 22 runners from CAI, running for the cause of cotton. This was the third consecutive year that CAI was participating in the Mumbai Marathon. The funds collected are going to COTAAP Foundation, which is an associate body of the Cotton Association of India and works closely with the farmers in Chopda in Maharashtra and Raichur in Karnataka. COTAAP has been running the 'Cotton farmer benefit' programme for several years by aiding farmers with knowledge and training, equipment, chemicals and enhancers to ensure better yield for their cotton crop.

This year, we had 22 runners across the three categories of Dream Run - 6 km, Half Marathon 21 km and Full Marathon 42 km. The oldest runner for CAI was the sprightly 64-year-old Shri. Arunkumar Khetan who completed the half marathon and the youngest was 14-year-old Sanika Chawathe who took part in the Dream Run. Naturally, the popular Dream Run had the maximum participation including the CAI President Shri. Dhiren N. Sheth, CAI Vice President Shri. Nayan Mirani and Chairman and M.D, Cotton Corporation of India

(CCI) Shri. B. K. Mishra. A special mention must be made of the cheering squad of CAI staffers who enthusiastically waved banners and flags that proudly proclaimed - Run for Cotton. Support the Indian farmer and Choose Cotton. For Life.

As usual the front runner for CAI was Shri. Swapnil Shendre. "I'm happy that I completed the full marathon in 4.58," he says. The die-hard marathoner that he is, Swapnil participated in the Iceland Marathon in August 2015. "It was very chilly with the temperature at 10 degrees and the extreme wind factor added resistance, so one couldn't really pick up the pace and it was difficult to run. Compared to that, the Mumbai weather was fantastic, and that's why so many course records were broken this year."

Keeping pace with Swapnil was Shri. R. R. Vinod, Sr. Vice President of Welspun India Ltd., who graduated to running the full marathon this year, after successfully completing the half marathon last year. Last year, he had faced a problem on the incline at Peddar Road, having trained on the



Dream Team for the Dream Run

flat surfaces in Ahmedabad where he lived. “This year the incline didn’t bother me, as I’m based in Mumbai now and could run up and down the same incline as part of my training! But this being my first full marathon, I started getting cramps after the 31 km mark, and had to complete the race by walking to the finish line,” he says.

For Shri. Raja Gokulgandhi running in the SCMM has become a mission of sorts. “If I want to motivate more and more people to participate, then I have to lead from the front and run myself! I am very happy that slowly but surely the participants

are increasing across all categories.” Rajabhai ran the half marathon, and in spite of zero training, managed to clock a respectable timing of 3.29. Rajabhai’s love for running obviously rubs off on those closest to him, because this year his 17-year-old son Soham participated in the Dream Run, and his close friend, Shri. Rishit Dholakia, kept Rajabhai company as he has done for the last two years by running the half marathon, and managed a timing of 3.11, that too without any prior training!

For Shri. Manek Gupta, Trader, Cotton, Glencore Grain India Pvt Ltd, this was his first brush with



Holding up the CAI banner with pride



Shri. Nayan Mirani and Shri. B.K. Mishra



CAI's enthusiastic cheerleading squad

running the half marathon. "But it certainly will not be my last!" he asserts. "The crowd, the atmosphere, the music... it was simply fantastic," he exclaims. This time the only training he managed was nine km on the treadmill for two consecutive Sundays prior to the marathon, and he still managed to finish in 2.52. "But I could barely walk the last 3 km. My body just gave up, but next year I'm going to train more seriously," he promises. "I loved this so much that I'm already checking to see which half marathon I can run next, it could be in Powai or maybe in Goa."

Dr. Uma Vinod, the eye specialist wife of full marathoner Shri. R. R. Vinod, was a little disappointed with her timing for the half marathon. "I just ran the Ahmedabad half marathon a few days ago and my timing was 2.13, and here in Mumbai I clocked 2.17. I started feeling dehydrated on the first stretch itself, which included the Sea Link, and after that it was very difficult to pull myself up for the last leg of the race." But she's determined to keep running and hopes to join her husband for the full marathon next year!

Shri. Arunkumar Khetan, is 64 and ran 10.5 km in Hyderabad last year. "That inspired me to run the Mumbai half marathon," he says. And he completed it too in 3.35. "I believe that to be healthy you should exercise every day, and to that end, I run or walk four days a week in the grounds of the Agriculture University in Akola, where I live." He continues, "It was a wonderful experience for me and full marks to the organisers of the SCMM for managing such a huge event in such an efficient manner."

Shri. Dhiren N. Sheth, President, CAI has the last word. "This is the third year we are participating in the SCMM. Not only are we raising awareness about the CAI but it is also helping us collect funds for COTAAP. Our Cotton Promotion Coordinator, Smt. Aparna Chawathe is doing a very good job, and now we have to plan for a larger scale of participation next year. Kudos to Shri. Swapnil Shendre and Shri. R.R Vinod for completing the full marathon. I would also like to thank all those who participated in the half marathon as well as the dream run for making the effort and running for cotton."



Glimpses of the race



Colour and tradition walk hand in hand

Kites Fly High Over The CAI

To celebrate Makar Sankranti, over 200 members of the cotton fraternity along with their families gathered at the Association on January 14, 2016. While the senior members showed great enthusiasm

and skill in flying kites, the youngsters tried to follow in their footsteps and learn a trick or two from them. This was followed by high tea. Here are some glimpses of the colourful event.





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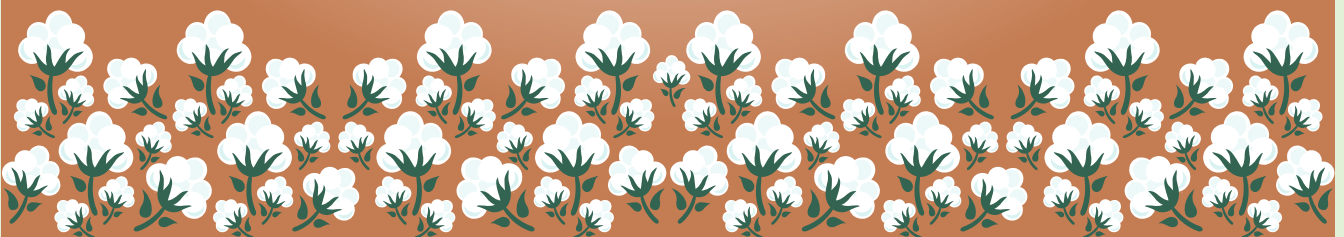
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Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]							Spot Rate (Upcountry) 2015-16 Crop JANUARY 2016					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	11th	12th	13th	14th	15th	16th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	8886 (31600)	8802 (31300)	8802 (31300)	8802 (31300)	8802 (31300)	8802 (31300)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	9026 (32100)	8942 (31800)	8942 (31800)	8942 (31800)	8942 (31800)	8942 (31800)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	6608 (23500)	6496 (23100)	6496 (23100)	6496 (23100)	6468 (23000)	6468 (23000)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	7367 (26200)	7311 (26000)	7311 (26000)	7311 (26000)	7311 (26000)	7311 (26000)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	8548 (30400)	8548 (30400)	8548 (30400)	8548 (30400)	8548 (30400)	8548 (30400)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	9223 (32800)	9167 (32600)	9195 (32700)	9251 (32900)	9280 (33000)	9280 (33000)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	8267 (29400)	8323 (29600)	8380 (29800)	8380 (29800)	8436 (30000)	8436 (30000)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	8633 (30700)	8577 (30500)	8633 (30700)	8633 (30700)	8577 (30500)	8577 (30500)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	9448 (33600)	9392 (33400)	9420 (33500)	9476 (33700)	9505 (33800)	9505 (33800)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	8520 (30300)	8577 (30500)	8633 (30700)	8633 (30700)	8689 (30900)	8689 (30900)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	8970 (31900)	8914 (31700)	8858 (31500)	8858 (31500)	8858 (31500)	8858 (31500)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	9561 (34000)	9505 (33800)	9561 (34000)	9617 (34200)	9645 (34300)	9645 (34300)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	9195 (32700)	9195 (32700)	9195 (32700)	9195 (32700)	9195 (32700)	9195 (32700)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	9336 (33200)	9280 (33000)	9280 (33000)	9280 (33000)	9280 (33000)	9280 (33000)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	9336 (33200)	9336 (33200)	9336 (33200)	9336 (33200)	9336 (33200)	9336 (33200)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	9420 (33500)	9392 (33400)	9392 (33400)	9392 (33400)	9392 (33400)	9392 (33400)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	9589 (34100)	9589 (34100)	9617 (34200)	9617 (34200)	9617 (34200)	9617 (34200)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	9983 (35500)	9983 (35500)	9983 (35500)	9983 (35500)	9983 (35500)	9983 (35500)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	13835 (49200)	13835 (49200)	13919 (49500)	13919 (49500)	13919 (49500)	13919 (49500)

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