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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures
for the period 04/02/2020 to 06/03/2020

(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 following information.)

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.

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

- Cotton futures rose higher, due to diminished stocks supplies of standing crop from major cultivating areas of Punjab region. On the flip side, weakening demand for the yarns from retailers and exporters at domestic and overseas markets due to fears of Coronavirus attack, restricted some gains. The recent sharp fall in cotton prices in China and bleak demand by millers keep cotton prices under pressure.

- India has recently reported its first case of Coronavirus in Kerala and market players are likely to avoid fresh long positions in cotton, especially after WHO has declared a global public health emergency.

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

- The Cotton Association of India (CAI) has released its January estimate of the cotton crop for the season 2019-20 beginning from 1st October 2019. The CAI has retained its cotton crop estimate for 2019-20 at 354.50 lakh bales of 170 kgs. each i.e. at the same level as in the previous estimate.

- Consumption estimated by the CAI for the entire crop year i.e. upto 30th September 2020 is 331 lakh bales i.e. at the same level as estimated by the Cotton Advisory Board at their meeting held on 28th November 2019. The CAI has estimated exports for the season at 42 lakh bales i.e. at the same level as estimated in the previous year.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures rose more than 1% on Tuesday aided by a recovery in equity markets as China ramped up stimulus measures to mitigate the economic impact of the coronavirus outbreak.

- In the past two days, the People's Bank of China has injected 1.7 trillion yuan (\$242.74

billion) through open market operations, while sources told Reuters that policymakers are readying further measures to support the economy.

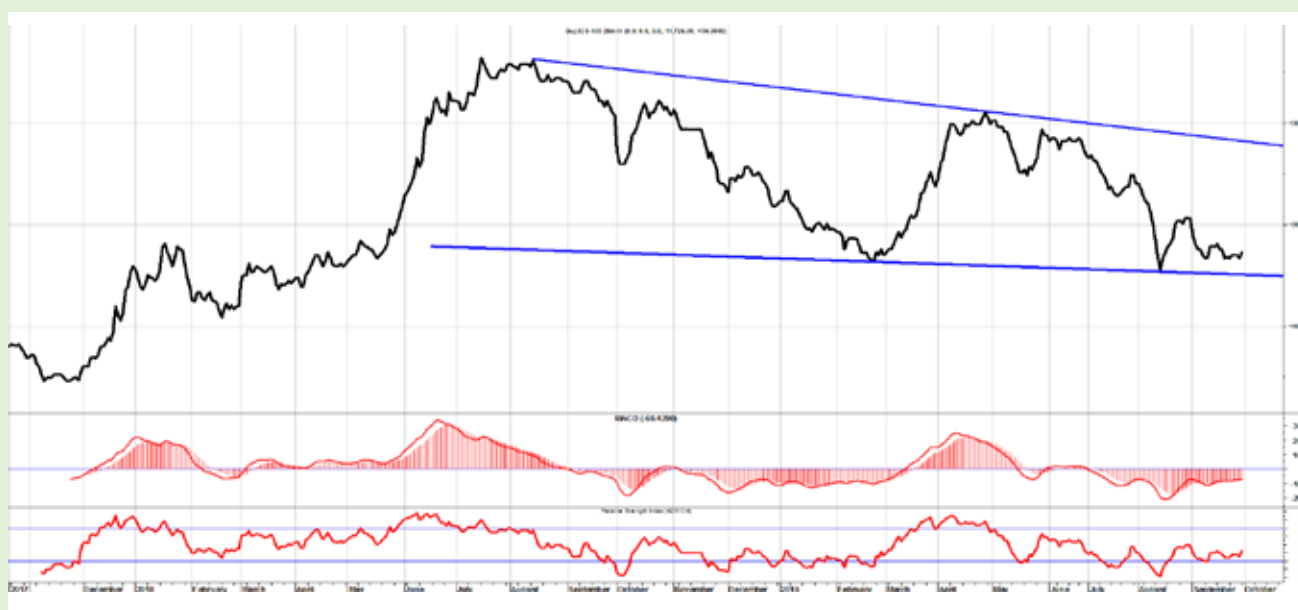
- China has agreed to allow U.S. health experts into the country as part of a World Health Organization (WHO) effort to help fight the fast-spreading Coronavirus, as the number of cases and deaths continued to mount.
- Cotton speculators raised their net long position by 1,193 contracts to 16,492 in week to Jan. 28, data from the U.S. Commodity Futures Trading Commission showed.

GUJ ICS Price Trend

As mentioned in the previous update, strong support is seen at 11,000 levels from where a rebound is expected. Prices moved as per our expectations. We saw a good rebound around the 11,500 levels. Price is expected to gradually decline lower 10,800 levels followed by 10,200 in the coming weeks when good supports kick in.



As mentioned previously, we expected a pullback higher to 11,500 levels, which materialised perfectly. The indicators are now neutral, signifying that it is neither overbought nor oversold and a downside correction is in the offing, as the bearish trend continues. Only prices above 12,000 could result in a minor turn around to 12,800/13000 levels on the upside. We expect prices to inch lower to 10,200-400 levels again.



MCX Feb Contract Chart

The MCX benchmark Feb cotton fell from 20,000 levels as expected. Price could decline to stronger supports around 19,500-600 levels immediately. But, in the bigger picture, there is more weakness expected and any retracement could be short-lived. Ideally, price could eventually fall to 18,000 levels in the coming months.



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



As mentioned earlier, we expected prices to grind higher towards 71.50-72c again. Immediate support is at 65-66c. Failure to hold here could expose it to a further downside to 61-62c. any unexpected rise and close above 71c could turn the picture neutral and subsequently a move to 75-76c can be seen. Our favoured view expects more declines while 71c gets capped.

Conclusion:

As mentioned before, the domestic and international prices rebounded from recent lows, but failed to follow-through higher. The domestic prices are inching higher, but still seem set for more bearishness. The international prices indicate a mild weakness in the short-term. We believe upticks could get capped and find it difficult to cross higher in both the markets.

For Guj ICS supports are seen at 10,800/qtl followed by 10,500 /qtl, and for ICE Mar cotton futures at 67 followed by 64c. The domestic technical picture has turned bearish, but the international prices are relatively less bearish compared to the domestic prices. We expect prices to edge lower, while resistance cap. Therefore, we remain bearish, looking for possible turnarounds in the bigger picture near the support levels mentioned above.

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UPCOUNTRY SPOT RATES

January 2020

2018-19 Crop

Growth	P/H/R	P/H/R (SG)	GUJ	KAR	M/MP)	P/H/R (SG)	M/MP/ SA/TL	M/MP/ SA/TL	P/H/R (R)	M/MP)	SA/TL	GUJ	R(L)	M/MP)	SA/TL/K	GUJ	ICS-105	M/MP)	SA/TL/K/O	M/MP)	SA/TL/K/TN/O	M/MP)	SA/TL/K/TN/O	K/TN
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-106	ICS-107	ICS-107
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
Staple	Below 22 mm	Below 22 mm	22 mm	23 mm	24 mm	27 mm	27 mm	27 mm	28 mm	28 mm	28 mm	28 mm	29 mm	29 mm	29 mm	29 mm	29 mm	30 mm	30 mm	31 mm	31 mm	32 mm	34 mm	34 mm
Mikronaire	5.0-7.0	5.0-7.0	4.0-6.0	4.0-5.5	4.0-5.5	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.8-4.2	3.8-4.2	3.7-4.9	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.5-4.9	3.0-3.8	3.0-3.8
Gravimetric Trash	4%	4.5%	13%	4.5%	4%	4.5%	4%	3.5%	4%	3.5%	3.5%	3%	3.5%	3.5%	3%	3%	3%	3.5%	3%	3%	3%	3%	4%	3.5%
Strength/GPT	15	15	20	21	23	26	25	25	26	26	27	27	28	28	28	28	28	29	29	29	30	31	33	33
1	-	-	9083	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	9083	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	9139	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	-	-	9139	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	-	-	9139	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	9111	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	-	-	9111	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	-	-	9111	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	-	-	9055	9926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	8998	9898	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	8998	9842	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	8998	9842	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	-	-	9083	9842	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	-	-	9083	9842	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	9083	9758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	-	-	9167	9758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	-	-	9167	9758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	9167	9758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	-	-	9167	9758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H	-	-	9167	9983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L	-	-	8998	9758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A	-	-	9094	9896	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

H = Highest L = Lowest A = Average



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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:

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• **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) 2018-19 Crop January - February 2020					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	27th	28th	29th	30th	31st	1st
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	9083 (32300)	9167 (32600)	9167 (32600)	9167 (32600)	9167 (32600)	9167 (32600)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	9758 (34700)	9758 (34700)	9758 (34700)	9758 (34700)	9758 (34700)	9758 (34700)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	-	-	-	-	-	-
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	-	-	-	-	-	-
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	-	-	-	-	-	-
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	-	-	-	-	-	-
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	-	-	-	-	-	-
13	SA/TL	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	-	-	-	-	-	-
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	-	-	-	-	-	-
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	-	-	-	-	-	-
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	33	-	-	-	-	-	-

(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) 2019-20 Crop January - February 2020					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	27th	28th	29th	30th	31st	1st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	10236 (36400)	10236 (36400)	10236 (36400)	10236 (36400)	10236 (36400)	10236 (36400)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	10376 (36900)	10376 (36900)	10376 (36900)	10376 (36900)	10376 (36900)	10376 (36900)
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	9842 (35000)	9814 (34900)	9814 (34900)	9814 (34900)	9814 (34900)	9758 (34700)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	10854 (38600)	10770 (38300)	10826 (38500)	10854 (38600)	10854 (38600)	10826 (38500)
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	10995 (39100)	10911 (38800)	10967 (39000)	10995 (39100)	10995 (39100)	10967 (39000)
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	11051 (39300)	10995 (39100)	11051 (39300)	11079 (39400)	11079 (39400)	11051 (39300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	10911 (38800)	10911 (38800)	10967 (39000)	10995 (39100)	10939 (38900)	10911 (38800)
13	SA/TL	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	10939 (38900)	10967 (39000)	11023 (39200)	11051 (39300)	10995 (39100)	10967 (39000)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	10939 (38900)	10967 (39000)	11023 (39200)	11051 (39300)	10995 (39100)	10939 (38900)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	11023 (39200)	11079 (39400)	11079 (39400)	11107 (39500)	11107 (39500)	11079 (39400)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	11079 (39400)	11079 (39400)	11135 (39600)	11164 (39700)	11107 (39500)	11079 (39400)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	11135 (39600)	11164 (39700)	11220 (39900)	11248 (40000)	11192 (39800)	11164 (39700)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	11107 (39500)	11135 (39600)	11192 (39800)	11220 (39900)	11164 (39700)	11107 (39500)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	11248 (40000)	11248 (40000)	11304 (40200)	11332 (40300)	11276 (40100)	11220 (39900)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	11304 (40200)	11304 (40200)	11360 (40400)	11389 (40500)	11332 (40300)	11304 (40200)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	11557 (41100)	11614 (41300)	11642 (41400)	11670 (41500)	11642 (41400)	11698 (41600)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	11642 (41400)	11698 (41600)	11726 (41700)	11726 (41700)	11698 (41600)	11754 (41800)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	12035 (42800)	12035 (42800)	12092 (43000)	12092 (43000)	12092 (43000)	12176 (43300)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	15888 (56500)	15888 (56500)	15888 (56500)	15888 (56500)	15888 (56500)	15888 (56500)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	33	16450 (58500)	16450 (58500)	16450 (58500)	16450 (58500)	16450 (58500)	16450 (58500)

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