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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the Period 7th February 2023 to 6th March 2023

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 prices improved slightly as demand picked up gradually. The pace of arrivals this season is slowest in the last five years as per CCI, but the demand is also low which is keeping prices steady. As per Agmarknet data, arrivals during last week (29 Jan – 4 Feb) were at 1.33 lakh tonnes (lt) compared to 1.45 lt in the previous week.

- The budget proposals of enhancing the productivity of extra-long staple (ELS) cotton

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.

through public-private partnership is seen to lower the import dependence of a growing cotton variety that is in demand and can produce high-quality yarn for domestic and exports.

- According to Govt data, raw cotton exports from India were at 38,250 bales in Nov vs 6.42 lakh bales last year while country imported 77k bales in Nov 2022 vs 48,450 bales last year. Since July 2022, India imported close to 16.80 lakh bales compared to only 4.06 lakh bales last year in the same period. CAI and textile industry players

have urged the Govt. to remove import duty as it impacts global competitiveness and reduces textile mills' capacity use.

International Markets

- ICE cotton futures jumped more than 4% on Tuesday on hopes of strong demand from China and short covering ahead of a monthly supply and demand report from the U.S. Department of Agriculture. There is optimism about demand emerging out of China as the nation ramps up its recovery from COVID. Wall Street's main indexes slipped on Tuesday as investors awaited Federal Reserve Chair Jerome Powell's comments. "The Chinese balloon surveillance incident has got some cotton traders nervous," he said.

- The appearance of the Chinese balloon caused a political uproar in the United States and prompted the country's top diplomat, Antony Blinken, to cancel a trip to Beijing that both nations hoped would steady their rocky relations. China is one of the top consumers of U.S. cotton.

- All investors now look forward to the USDA's monthly World Agricultural Supply and Demand Estimates (WASDE) report due on Wednesday. Though there are expectations of a cut in consumption and production, stocks are expected to show a downtick and exports higher as China purchases gather momentum.

- The market is suggesting that next weekend's (Feb. 12) release of the National Cotton Council's 2023 plantings intentions will be in the range of 10.4 million acres. Many growers suggest that the indifference curve between cotton and grains (oilseeds and corn/sorghum) indicates they need 95 cent futures, basis December, to plant cotton. If 2023 plantings are based on those calculations, then 2023 planted acreage would fall to about 10.2 million acres. Acreage that low could be bullish enough to pull December futures above 90 cents.

Shankar 6 Guj ICS Price Trend

As mentioned in the previous update, we expected prices to bottom around 17,000/ qtl and gradually inch higher towards 20,000 levels from here, where strong resistances are seen. Some signs of bottom are visible and the downside from here looking extremely limited. Once above here, it could even start rising towards 22,000 levels subsequently. Though prices can drop again, the recent bottom at 17,500 looks intact and unlikely to test that once again.



Spot Price Chart

The Spot cotton February weekly structure shows a bullish potential to rise back towards 67,000-68,000 area. Supports are near 60,000 followed by 58,500 now. It must fall below 55,000 to cause doubts about

this bullish view. Next supports would be near 54,000. Daily chart's trend and momentum indicators favour a bullish view. However, a fall below 55,000 could cause doubts about the bullish potential.



ICE Mar 23 Cotton Futures

As mentioned in our previous month's update, a period of consolidation is underway before it could launch itself higher again towards 93-95c on the upside. The consolidation range is in the 77-89c range presently, which is still underway. Technical analysis, favour more upside in the short-term towards 97-98c zone or even higher above \$1.00. The chart below shows December months have been the beginning of many important rallies in ICE cotton in the past. History could repeat itself again this year.



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. Current bottoming levels could be ideal opportunities to Buy Call options in ICE to take advantage of a possible rise in the near-term. To protect against falling inventory cost one can take Put options in ICE around resistance levels by paying a premium, where losses will be minimum and profits unlimited.

Conclusion:

The domestic prices seem to have found a bottom near 60,000-61,000 per candy for now, as it seems to be discounting negative fundamentals of poor demand. But it is failing to sustain above 60,000 which makes us believe it could take a shy at 55,000-56,000 before bottoming out completely. More negative factors continue to weigh on domestic markets by way of arrivals and weak demand. But price always has a ability to discount present weakness and look ahead. This is what

is likely happening in the local prices. Strong resistance is presently noticed in the 70,000 per candy levels and may find it tough to cross that in the near-term.

Important support in ICE is at \$81-82c followed by \$78c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices are still at mild premium to ICE it has corrected from peaks. We expect prices to consolidate and gradually edge higher again. Though price could come under pressure from time to time, it is important to keep an eye on the speculative fund activity and the dollar that could turn the picture for cotton prices. The international price indicates that it is in the process of a consolidation before beginning an up move again.

For Shankar 6 Guj ICS supports are seen at 58,000 per candy and for ICE May cotton futures at \$81-82c followed by \$78c. The domestic technical picture looks neutral to mildly bullish and could reverse soon as we are near the bottom. Therefore, we can expect prices to gradually inch higher and reverse with a mild bullish bias for the local prices and a strongly sharp rise expected in the international markets, as there are some upside breakout signs visible in ICE futures presently.

GST Highlight – Budget 2023

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 representation and Website Committee (2016-2017 and 2019-2020); Member of Refresher Course Committee:-

EXPERT'S Column



Shri. Ronak Jain
Partner, Jain Advocates

The Gujarat Sales Tax Bar Association (2021-2023) and Member of Indirect Tax Task Force:- The Gujarat Chamber Of Commerce And Industry (2022-2023). 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.

- Composition dealer can supply its goods through e commerce operators within the limit of the state. (I.E Intra State Transactions).
- Input Tax Credit for GST paid on Corporate

Social Responsibility (CSR) expenditure will not be available.

- Sec 16(2), where the payment has not been made to the supplier within 180 days the input

tax credit is to be paid along with interest U/S 50 as against presently to be added to the output tax liability.

- Person shall not be allowed to file the GSTR 1, GSTR 3B and GSTR9 after the expiry of 3 years from the due date of filing such returns.
- CGST and SGST to be charged on transport of exports, this means such transaction shall be considered as intra state supply and CGST and

SGST (and not IGST) shall be payable even if goods are exported out of India.

- Sec 158A, consent based sharing of information by common portal with other systems.

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

USDINR Monthly Report: February 2023

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

EXPERT'S Column



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

We expect USDINR to trade within the wide range of 80.50-83.0 for February 2023 with key events such as Union Budget 2023, FOMC and RBI Policy meeting lined up in coming days. DXY, USDCNY, oil price movement and FII flows will also create volatility in the pair. RBI stance to maintain stability in Rupee will be closely observed. Expected strength in US dollar and dollar buying by oil companies on dip may support upside in the pair. Key support lies at 80.85 below which 80.50 is the next support. Hence, buy on dips is suggested at around 81.0 and then 80.50.

Key triggers for USDINR in the month of February:-

- **Indian Union Budget:** Union Budget for the financial year 2023-24 is scheduled on February 1 and this will be the last full Budget before the next election, thus a greater degree of populism is expected.
- **RBI Policy:** RBI committee is scheduled to meet next on 6th-8th February 2023 and is anticipated that it could raise the interest rates by 15-20 bps from current 6.25%.

- **FOMC Policy:** US FOMC is scheduled to meet next on 31st Jan-1st Feb 2023. It is anticipated that the committee could raise the interest rates by 25 bps to the upper range of 4.75%.

- **Brent oil prices:** Hopes of demand from China, world's top consumer along with expectations of further tightening of oil markets after an EU embargo on Russian crude products comes into effect on February 5 will support oil prices. OPEC is also expected to keep output unchanged during a meeting this week.

- **Trade Balance:** India's trade deficit in December 2022 narrows slightly to \$23.76 bn Vs \$ 23.89 bn in November, with exports valued at \$34.48 bn, down 12.2% on year and imports at \$58.24 bn, down 3.5% y/y.

- **FII flows:** After experiencing inflows in previous two months, domestic markets witnessed outflows of around \$3.233 bn in January 2023 (as on 31st January).

- **FX Reserves:** India's FX reserves rose for second straight week, increased by \$1.73 bn from prior week to \$ 573.73 bn for the week ended 20th January 2023. In January alone reserves rose by \$10.9 bn (till 20th Jan) as RBI bought dollars on dip to replenish its reserves.

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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) 2022-23 Crop January - February 2023					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	30th	31st	1st	2nd	3rd	4th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	18250 (64900)	18250 (64900)	18250 (64900)	18250 (64900)	18250 (64900)	18250 (64900)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	18390 (65400)	18390 (65400)	18390 (65400)	18390 (65400)	18390 (65400)	18390 (65400)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	13216 (47000)	13160 (46800)	13160 (46800)	13216 (47000)	13076 (46500)	13020 (46300)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	-	-	-	-	-	-
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	16928 (60200)	16928 (60200)	16788 (59700)	16788 (59700)	16788 (59700)	16788 (59700)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	16759 (59600)	16675 (59300)	16759 (59600)	16816 (59800)	16816 (59800)	16759 (59600)
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	16872 (60000)	16788 (59700)	16872 (60000)	16928 (60200)	16928 (60200)	16872 (60000)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	-	-	-	-	16450 (58500)	16366 (58200)
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	17266 (61400)	17181 (61100)	17266 (61400)	17322 (61600)	17322 (61600)	17266 (61400)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16872 (60000)	16816 (59800)	16816 (59800)	16816 (59800)	16731 (59500)	16703 (59400)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16928 (60200)	16872 (60000)	16872 (60000)	16872 (60000)	16816 (59800)	16788 (59700)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	17013 (60500)	16984 (60400)	16984 (60400)	17041 (60600)	16984 (60400)	16928 (60200)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	17266 (61400)	17181 (61100)	17266 (61400)	17266 (61400)	17266 (61400)	17266 (61400)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	17209 (61200)	17153 (61000)	17153 (61000)	17153 (61000)	17097 (60800)	17069 (60700)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	17266 (61400)	17209 (61200)	17209 (61200)	17209 (61200)	17153 (61000)	17125 (60900)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	17462 (62100)	17434 (62000)	17434 (62000)	17491 (62200)	17434 (62000)	17378 (61800)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	17462 (62100)	17406 (61900)	17406 (61900)	17434 (62000)	17378 (61800)	17322 (61600)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	17519 (62300)	17462 (62100)	17462 (62100)	17491 (62200)	17434 (62000)	17378 (61800)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17716 (63000)	17716 (63000)	17716 (63000)	17716 (63000)	17659 (62800)	17603 (62600)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17828 (63400)	17828 (63400)	17828 (63400)	17772 (63200)	17716 (63000)	17659 (62800)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	18137 (64500)	18137 (64500)	18137 (64500)	18137 (64500)	N.A. (N.A.)	N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	18700 (66500)	18700 (66500)	18700 (66500)	18840 (67000)	18840 (67000)	18840 (67000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	19122 (68000)	19122 (68000)	19122 (68000)	19122 (68000)	19262 (68500)	19262 (68500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	19122 (68000)	19122 (68000)	19122 (68000)	19262 (68500)	19262 (68500)	19262 (68500)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	19543 (69500)	19543 (69500)	19543 (69500)	19543 (69500)	19684 (70000)	19684 (70000)

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