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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the Period March 7th 2023 to April 4th 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

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.

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.

EXPERT'S Column



Shri. Gnanasekar Thiagarajan
Director, Commtrendz Research

Domestic Markets

- The domestic prices improved slightly as demand picked up gradually. The pace of arrivals this season has been the 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 (29thJan - 4th Feb) was 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 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 consumption 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 the country imported 77k bales in Nov 2022 vs 48,450 bales last year. Since Jul 2022, India imported close to 16.80 lakh bales compared to only 4.06 lakh bales last year, same period. CAI and textile industry players have urged Govt. to remove of import duty as it impacts global competitiveness and reduces textile mills' capacity use.

International Markets

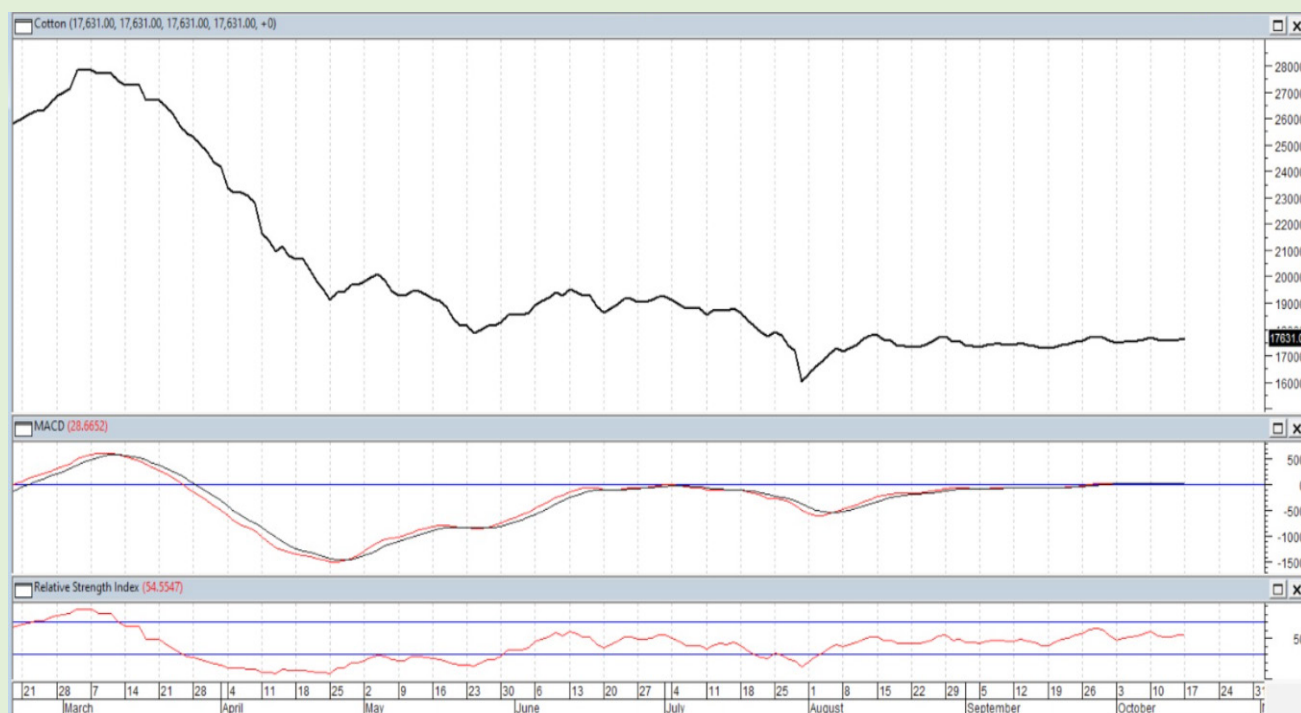
- ICE cotton futures dipped more than 1% on Tuesday, supported by a rally in U.S. dollar. Investors are awaiting the U.S. Department of Agriculture's (USDA) monthly estimates on world supply and demand this week. US 2022-23 ending stocks seen at 4.26m bales, with little change from USDA's previous estimate, according to the avg in a Bloomberg survey of seven analysts. The range of estimates varied from 4.05m to 4.5m bales. Global ending stocks seen at 89.07m bales, on par with last month's est. U.S. stock indexes and oil prices fell as Federal Reserve Chair Jerome Powell told U.S. lawmakers that the central bank will likely need to raise rates more than expected, in response to recent strong data and is prepared to move in larger steps if the "totality" of incoming information suggests tougher measures are needed to control inflation.

- Cotton trading proved to be dull during last week as demand remained exceedingly difficult to come by. Mills complained loudly of poor margins and backed off making purchases. However, inquiries were still brisk as most demand seem to be priced in already. Yet, the recently established near term price resistance at 85 -86 cents capped any attempted to rally.

- While production costs remain elevated, futures prices are currently 16.5% less than a year ago and the prices of most competing commodities are relatively unchanged. The current economic signals are reflected in the 2023 survey results as many growers indicated a shift away from cotton to other competing commodities like soybean and corn which has an added advantage in the form of bio fuels.

Shankar 6 Guj ICS Price Trend

As mentioned in the previous update, we expected prices to bottom around 17,000/qtl and could 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. However, it has spent a whole month in that price range building itself for the next move which is mostly higher. 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.



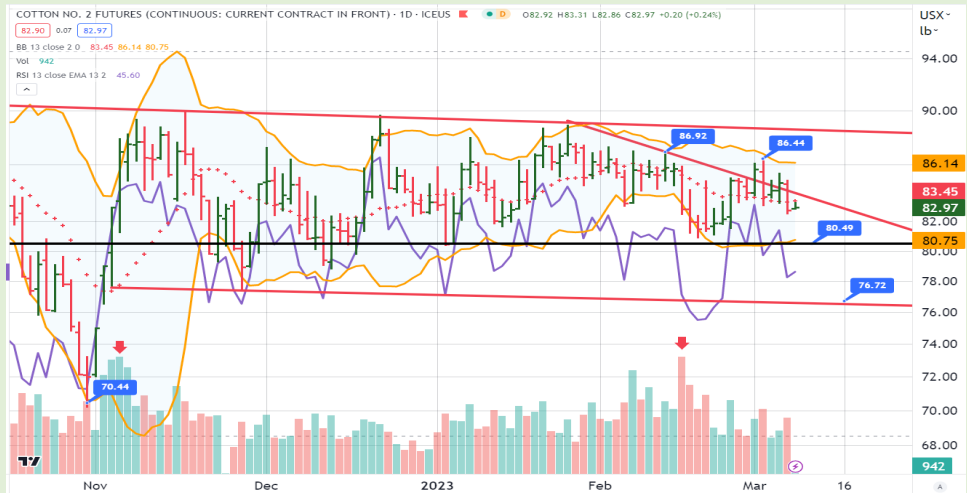
MCX Cotton Candy April:

It has been under pressure and continues to weaken more from here. Strong supports are in the 61,500 per candy zone. Ideally, it is expected to bounce higher from there once again. The selling pressure continues after the break of key supports at 63,250 levels and it should start edging lower immediately. However, major weakness from present levels looks unlikely.



ICE May 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 broad consolidation range is still in the 77-89c range presently, which is still underway. Technical analysis, favours more upside in the short-term towards 97-98c zone or even higher above \$1.00. Unexpected drop though not favoured could see a retest of 70c lows made in Oct 2022.



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 makes 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. MCX Candy contracts recent 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 still seem to have found a solid 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 65,000 which makes us believe there is a 25% chance that 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 prices always have the 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 65,000 - 67,000 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 \$77c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices are still at a mild premium to ICE and have 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 60,500 per candy and for ICE May cotton futures at \$81-82c followed by \$78c. The domestic technical picture looks neutral to mildly bearish and could reverse soon as we are near the bottom. Therefore, we can expect prices to inch lower initially absorbing all the negatives 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. Any unexpected fall below key supports in ICE could change the picture to neutral which is not our favoured view.

COFCO International Team Visits CAI

COFCO International visited CAI on Thursday, 2nd March 2023. COFCO team included Mr. Franck Niedergang (COFCO Cotton - Global Head), Mr Shailesh Patil (Cotton Head - India/Bangladesh/Pakistan) and Mr. Akram Guzairov (COFCO Cotton - Global Trader). They met CAI President, Mr. Atul. S. Ganatra, Addl. Vice President, Mr. Vinay Kotak, Hon. Treasurer, Mr. Shyam Makharia, Executive Addl. Vice President, Mr. Arun Sekhsaria and Director, Mr. Rishit Dholakia and had fruitful discussions on cotton related issues.



USDINR Monthly Report: March 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 81.50-84.00 for March 2023. RBI continued to protect the 83.00 level by selling dollars, but dollar buying by oil companies on dip may limit downside. Key resistance lies at 82.90 above which 83.50 is the next watchful level and then 84.0, while 82.10 will act as a strong support.

Fed is expected to remain hawkish for longer period than expected. In the other scenario, RBI may protect 83.0 levels till March-end so that corporate and bank balance sheet will not hit the MTM losses.

Key triggers for USDINR in the month of March:-

- **FOMC Policy:** US FOMC is scheduled to meet next on 21st -22nd March 2023. It is anticipated that the committee could raise the interest rates by 25 bps to the upper range of 5.00%. Though market is also expecting a 50 bps hike in view of the recent US data.
- **Brent Oil Prices:** The loss of Russian supply will tighten the global oil markets and support prices, but at the same weak demand concerns may limit gains in the coming days.
- **Chinese Yuan:** Chinese Yuan weakened almost 3% in February and hovers around 2-month's low of 6.97. Further depreciation in yuan will exert pressure on emerging market currencies which also includes the Indian rupee.

- **Trade Balance:** India's trade deficit in January 2023 narrowed sharply to \$17.75 bn Vs \$23.76 bn in December 2022, with exports valued at \$32.91bn down 6.6% on year and imports at \$50.66 bn (lowest in 17 months) down 3.6% y/y.

India's monthly trade deficit which used to be in the range of \$12- \$15bn a month, started to increase since September 2021 to be in the range of \$25- 26bn. However, this sharp fall in trade deficit in January greatly lessens worries about India's current account deficit and Rupee depreciation.

Trade deficit did not fall due to higher exports, rather it is down due to a steep fall in imports. January goods imports were 17% less than \$60.06 bn ie the average monthly goods imports from Apr-Dec period. January exports were 7% less than the Apr-Dec monthly average of \$35.40 bn.

- **FII Flows:** Domestic equity markets experienced outflows for second consecutive month, with FII's selling around \$0.501 bn in February 2023 (as on 28th Feb 2023).
- **FX Reserves:** India's FX reserves fell for the third straight week, dipped by \$5.68 bn from prior week to hit an 11-week low of \$ 561.27 bn for the week ended 17th February 2023. In February alone, reserves dropped by 12.46 bn as the central bank sold dollars at higher levels to avoid sharp depreciation in rupee.

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

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A CHILD'S CHILDHOOD IS FOR LEARNING
DON'T USE THEIR CHILDHOOD FOR EARNING
SAY NO TO CHILD LABOUR

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 February - March 2023					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	27th	28th	1st	2nd	3rd	4th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	17969 (63900)	17969 (63900)	17969 (63900)	17969 (63900)	18109 (64400)	18109 (64400)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	18109 (64400)	18109 (64400)	18109 (64400)	18109 (64400)	18250 (64900)	18250 (64900)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	13357 (47500)	13357 (47500)	13441 (47800)	13498 (48000)	13582 (48300)	13638 (48500)
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	17153 (61000)	17153 (61000)	17153 (61000)	17153 (61000)	17153 (61000)	17153 (61000)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	17069 (60700)	16928 (60200)	16928 (60200)	16928 (60200)	17013 (60500)	17069 (60700)
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	17266 (61400)	17125 (60900)	17125 (60900)	17125 (60900)	17209 (61200)	17266 (61400)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	16422 (58400)	16281 (57900)	16169 (57500)	16028 (57000)	16028 (57000)	16085 (57200)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	16731 (59500)	16591 (59000)	16478 (58600)	16478 (58600)	16478 (58600)	16478 (58600)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	17575 (62500)	17434 (62000)	17434 (62000)	17434 (62000)	17519 (62300)	17575 (62500)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	17153 (61000)	17013 (60500)	17013 (60500)	17069 (60700)	17069 (60700)	17069 (60700)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	17294 (61500)	17153 (61000)	17069 (60700)	17069 (60700)	17069 (60700)	17069 (60700)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	17238 (61300)	17209 (61200)	17266 (61400)	17322 (61600)	17322 (61600)	17266 (61400)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	17491 (62200)	17350 (61700)	17350 (61700)	17350 (61700)	17434 (62000)	17491 (62200)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	17406 (61900)	17322 (61600)	17322 (61600)	17378 (61800)	17378 (61800)	17378 (61800)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	17462 (62100)	17378 (61800)	17378 (61800)	17378 (61800)	17378 (61800)	17378 (61800)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	17603 (62600)	17575 (62500)	17575 (62500)	17631 (62700)	17631 (62700)	17575 (62500)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	17659 (62800)	17575 (62500)	17575 (62500)	17631 (62700)	17631 (62700)	17631 (62700)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	17716 (63000)	17631 (62700)	17631 (62700)	17687 (62900)	17687 (62900)	17687 (62900)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17856 (63500)	17716 (63000)	17716 (63000)	17772 (63200)	17772 (63200)	17772 (63200)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17912 (63700)	17772 (63200)	17772 (63200)	17828 (63400)	17828 (63400)	17828 (63400)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	18194 (64700)	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	19825 (70500)	19825 (70500)	19825 (70500)	19825 (70500)	19825 (70500)	19825 (70500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	20106 (71500)	20106 (71500)	20106 (71500)	20106 (71500)	20106 (71500)	20106 (71500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	20387 (72500)	20387 (72500)	20387 (72500)	20387 (72500)	20387 (72500)	20387 (72500)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	20528 (73000)	20528 (73000)	20528 (73000)	20528 (73000)	20528 (73000)	20528 (73000)

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