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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 10/03/20 to 07/04/2020

(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.

EXPERT's Column

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

• Cotton futures traded lower on MCX due to reduced buying by market participants; as the demand waned for the yarns from millers and domestic retailers at physical and export markets on fears of Corona virus epidemic. Besides, rise in arrivals of standing crop from major producing regions also pressured the prices lower.

• Partial shutdown in China since the outbreak of Coronavirus and uncertainty over work resumption has prompted many global suppliers to shift enquiries to India for textiles and yarn.

• The Cotton Association of India (CAI) has released its February 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.

• There is no change in the projection of cotton export for the season and the same is retained at 42 lakh bales as estimated by the CAI previously. Indian cotton arrivals during the months of October 2019 to February 2020 are estimated at 254.43 lakh bales of 170 kgs. each which are equivalent to 270.33 lakh running bales of 160 kgs. each.

Some of the fundamental drivers for International cotton prices are:

• ICE Cotton futures on Tuesday rebounded after last session's sharp sell-off as the United States Department of Agriculture (USDA) cut its estimates for domestic production and ending stocks for the 2019/20 marketing year. USDA in its latest World Agriculture Supply and Demand Estimates (WASDE) report, lowered its projection for U.S. production by 300,000 bales to 19.8 million bales.

• Gains in cotton were limited as the federal agency projected lower cotton demand globally, with a 1-million-bale cut in China's expected consumption. Cotton prices have declined over 11% so far this year, as the rapidly spreading Coronavirus deepened demand concerns for the natural fibre. Cotton declined 2.5% on Monday and touched its lowest in a week, following steep declines in U.S. equity markets.

• U.S. cotton exports have exceeded shipments data from USDA's Export Sales Reporting (ESR) for the first half of the 2019/20 marketing year, repeating the historical trend for each of the past six years, according to the US Census Bureau.

Guj ICS Price Trend

As mentioned in the previous update, the price is expected to gradually decline lower to 10,800 levels followed by 10,200 in the coming weeks where good supports kick in. Any upticks to 11,400-500 levels could find it difficult to sustain and more declines can be expected.

As mentioned previously, we expected a pullback higher to 11,500 levels, followed by a decline to 10,800 levels. Immediately, prices can either consolidate here for some time, or rise higher to resistances near 11,400-500 levels before edging lower again to 10,700 or even lower to 10,200 in the coming weeks. Indicators are oversold, hinting at a corrective rebound that we are noticing presently.

MCX March Contract Chart

The MCX benchmark March cotton fell to 18,000 levels, which we have been hinting at in our previous updates. Price could now see a bounce to 19,000 levels in a minor pullback. But, a direct fall below a recent low of 17,680 should open the way for deeper falls to 16,900 or even lower. Presently, there are no such bearish signals for that yet.

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

As mentioned earlier, failure to hold support at 65c, could expose it to further downside to 61-62c. Presently, the momentum favours more declines to 56-57c range on the downside. An unexpected rise above 64c could revive some bullish hopes. But, technically, prices are indicating more weakness ahead and we favour more declines before a possible bottom near 56-57c range can be seen.

Conclusion:

The domestic and international prices have rebounded from recent lows, but failed to sustain and follow-through higher. The domestic prices are inching higher, but still seem set for more bearishness. The international prices indicate more 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 May cotton futures at 61c followed by 57c. The domestic technical picture has turned bearish, and the international prices are decisively bearish compared to the domestic prices. We expect prices to edge lower. Therefore, we continue to remain bearish with more declines seen and hopes of a turnaround at the supports mentioned above.

CAI's February Estimate Maintains Cotton Crop for 2019-20 Season at 354.50 Lakh Bales

Cotton Association of India (CAI) has released its February 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. A statement containing the State-wise estimate of the cotton crop and the balance sheet as on 30th September 2020 drawn by the Crop Committee of the CAI with the corresponding data for 2018-19 crop year is given below.

The total cotton supply estimated by the CAI during the months of October 2019 to February 2020 is 298.43 lakh bales of 170 kgs. each which consists of the arrivals of 254.43 lakh bales upto 29th February 2020, imports of 12 lakh bales upto 29th February 2020 and the opening stock estimated by the CAI at 32.00 lakh bales at the beginning of the season.

Further, the CAI has estimated cotton consumption during the months of October 2019 to February 2020 at 133 lakh bales of 170 kgs. each while the export shipment of cotton estimated by the CAI upto 29th February 2020 is 27.50 lakh bales of 170 kgs. each. Stock at the end of February 2020 is estimated by the CAI at 137.93 lakh bales including 40 lakh bales with textile mills and remaining 97.93 lakh bales with CCI and others (MNCs, Traders, Ginners, etc.).

The yearly Balance Sheet projected by the CAI estimated total cotton supply till end of the cotton season i.e. upto 30th September 2020 at 411.50 lakh bales of 170 kgs. each (i.e. at the same level as estimated in the previous month). Total cotton supply consists of the Opening Stock of 32.00 lakh bales at the beginning of the cotton season on 1st October 2019, crop for the season estimated at 354.50 lakh bales and imports estimated by the CAI at 25.00 lakh bales, which are lower by 7.00 lakh bales compared to the previous year's estimate of 32.00 lakh bales.

Domestic 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. The carryover stock estimated at the end of the season is 38.50 lakh bales.

Highlights of Deliberations held at the Meeting of the Crop Committee of Cotton Association of India on 5th March 2020

Crop Committee of Cotton Association of India (CAI) met on 5th March 2020. 15 members were present. Based on the data available from various trade sources, upcountry associations and other stakeholders, the Committee has arrived at its February estimate of the cotton crop for the 2019-20 season beginning on 1st October 2019 and drew estimated cotton balance sheet.

The following are the highlights of deliberations held at the said meeting: -

1. The cotton crop estimate for the season 2019-20 is retained by the CAI at 354.50 lakh bales i.e. at the same level as estimated by it in the previous month and there are no changes in the state-wise crop figures estimated now compared to the previous month.

2) There is no change in the projection of cotton export for the season and the same is retained at 42 lakh bales as estimated by the CAI previously.

3) There is no change in the projection of import of cotton and the same is retained at 25 lakh bales as estimated by the CAI previously. The import figure is lower by 7.00 lakh bales compared to that estimated for the last year.

4) The yearly consumption is estimated by the CAI at 331 lakh bales i,e. same as estimated by the Cotton Advisory Board at its meeting held on 28th November 2019.

5) Indian cotton arrivals during the months of October 2019 to February 2020 are estimated at 254.43 lakh bales of 170 kgs. each which are equivalent to 270.33 lakh running bales of 160 kgs. each.

6) Shipment of imports from 1st October 2019 to 29th February 2020 which have reached Indian Ports are estimated at 12 lakh bales while balance 13 lakh bales are estimated to arrive Indian Ports during the period from 1st March 2020 to 30th September 2020 (total imports estimated during the entire season are 25 lakh bales).

7) Cotton export shipments from 1st October 2019 to 29th February 2020 which have already been shipped are estimated at 27.50 lakh bales while balance 14.50 lakh bales are expected to be shipped during the period from 1st March 2020 to 30th September 2020 (total exports estimated during the entire season are 42 lakh bales).

8) Consumption by Indian spinning mills for 5 months i.e. from 1st October 2019 to 29th February 2020 is estimated at 133 lakh bales which are equivalent to 141.31 lakh running bales of 160 kgs. each.

9) Cotton stock held by mills in their godowns on 29th February 2020 is estimated at 40 lakh bales (equivalent to 42.50 lakh running bales of 160 kgs. each). Mills have on an average 45 days cotton stock in their godowns.

10) CCI, MNCs, Ginners and MCX are estimated to have stock of about 97.93 lakh bales as on 29th February 2020 which is equal to about 104.05 lakh running bales of 160 kgs. each.

11) Thus, total stock held by spinning mills and stockists on 29th February 2020 is estimated at 137.93 lakh bales of 170 kgs. each which is equal to about 146.55 lakh running bales of 160 kgs. each.

12) Closing stock as on 30th September 2020 is estimated by the Committee at 38.50 lakh bales of 170 kgs. each which is equivalent to 40.90 lakh running bales of 160 kgs. each.

CAI's Estimates of Cotton Crop as on 29th February 2020 for the Seasons 2019-20 and 2018-19

(in lakh bales of 170 kg.)

State	Production *		Arrivals as on 29th February 2020 (2019-20)
	2019-20	2018-19	
Punjab	10.00	8.50	7.65
Haryana	26.00	23.00	18.75
Upper Rajasthan	12.50	13.35	10.05
Lower Rajasthan	12.50	14.65	11.95
Total North Zone	**61.00**	**59.50**	**48.40**
Gujarat	96.00	88.00	58.50
Maharashtra	85.00	70.00	55.00
Madhya Pradesh	16.00	22.63	13.00
Total Central Zone	**197.00**	**180.63**	**126.50**
Telangana	51.00	35.20	45.38
Andhra Pradesh	15.00	11.85	12.00
Karnataka	20.50	15.50	15.70
Tamil Nadu	5.00	5.00	2.45
Total South Zone	**91.50**	**67.55**	**75.53**
Orissa	4.00	3.32	3.00
Others	1.00	1.00	1.00
Total	**354.50**	**312.00**	**254.43**

** Including loose*

The Balance Sheet drawn by the Association for 2019-20 and 2018-19 is reproduced below:-

(in lakh bales of 170 kg.)

Details	2019-20	2018-19
Opening Stock	32.00	33.00
Production	354.50	312.00
Imports	25.00	32.00
Total Supply	**411.50**	**377.00**
Mill Consumption	288.00	274.50
Consumption by SSI Units	25.00	25.00
Non-Mill Use	18.00	12.00
Total Domestic Demand	**331.00**	**311.50**
Available Surplus	**80.50**	**65.50**
Exports	42.00	42.00
Closing Stock	**38.50**	**23.50**

Balance Sheet of 5 months i.e. from 1.10.2019 to 29.02.2020 for the season 2019-20

Details	(in lakh b/s of 170 kg)	(in '000 Tons)
Opening Stock as on 01.10.2019	32.00	544.00
Arrivals upto 29.02.2020	254.43	4325.31
Imports upto 29.02.2020	12.00	204.00
Total Available	**298.43**	**5073.31**
Consumption	133.00	2261.00
Export Shipment upto 29.02.2020	27.50	467.50
Stock with Mills	40.00	680.00
Stock with CCI, MNCs & Ginners	97.93	1664.81
Total	**298.43**	**5073.31**

As per Cotton Association of India Stock on 29.02.2020

STATE	GINNERS	MNC	CCI NEW	CCI OLD	MCX	MAH. FEDN.	TOTAL
PUNJAB	0.30	0.05	2.25	0.00	0.00	0.00	2.60
HARYANA	0.40	0.02	2.50	0.00	0.00	0.00	2.92
RAJASTHAN	2.15	0.40	2.50	0.00	0.00	0.00	5.05
GUJARAT	2.50	0.70	3.50	0.06	0.86	0.00	7.62
MAHARASHTRA	1.50	0.75	14.50	1.01	0.68	8.50	26.94
ANDHRA PRADESH	0.20	0.10	1.75	0.10	0.00	0.00	2.15
TELANGANA	0.20	0.10	35.20	5.60	0.02	0.00	41.12
MADHYA PRADESH	1.00	0.10	2.70	0.30	0.00	0.00	4.10
ORISSA	0.50	0.00	1.40	0.18	0.00	0.00	2.08
KARNATAKA	1.00	0.25	2.00	0.10	0.00	0.00	3.35
TOTAL	**9.75**	**2.47**	**68.30**	**7.35**	**1.56**	**8.50**	**97.93**

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 March 2020					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	2nd	3rd	4th	5th	6th	7th
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	8717 (31000)	8717 (31000)	8717 (31000)	8717 (31000)	8717 (31000)	8717 (31000)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	9533 (33900)	9533 (33900)	9533 (33900)	9533 (33900)	9533 (33900)	9533 (33900)
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)

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	Spot Rate (Upcountry) 2019-20 Crop March 2020 2nd	3rd	4th	5th	6th	7th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	9954 (35400)	9954 (35400)	9954 (35400)	9954 (35400)	9954 (35400)	9954 (35400)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)
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	9533 (33900)	9645 (34300)	9645 (34300)	9729 (34600)	9814 (34900)	9814 (34900)
6	P/H/ R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	10545 (37500)	10601 (37700)	10657 (37900)	10714 (38100)	10770 (38300)	10770 (38300)
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	10657 (37900)	10714 (38100)	10770 (38300)	10826 (38500)	10882 (38700)	10882 (38700)
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	10742 (38200)	10798 (38400)	10854 (38600)	10911 (38800)	10967 (39000)	10967 (39000)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	10686 (38000)	10742 (38200)	10742 (38200)	10742 (38200)	10742 (38200)	10742 (38200)
13	SA/TL	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	10770 (38300)	10826 (38500)	10826 (38500)	10826 (38500)	10826 (38500)	10826 (38500)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	10742 (38200)	10742 (38200)	10742 (38200)	10742 (38200)	10742 (38200)	10742 (38200)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	10911 (38800)	10967 (39000)	11023 (39200)	11079 (39400)	11079 (39400)	11079 (39400)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	10911 (38800)	10967 (39000)	10967 (39000)	10967 (39000)	10967 (39000)	10967 (39000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	10967 (39000)	11023 (39200)	11023 (39200)	11023 (39200)	11023 (39200)	11023 (39200)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	10939 (38900)	10939 (38900)	10939 (38900)	10939 (38900)	10939 (38900)	10939 (38900)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	11107 (39500)	11107 (39500)	11107 (39500)	11107 (39500)	11107 (39500)	11107 (39500)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	11445 (40700)	11445 (40700)	11445 (40700)	11445 (40700)	11501 (40900)	11501 (40900)
22	SA/TL/ K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	11557 (41100)	11557 (41100)	11557 (41100)	11557 (41100)	11614 (41300)	11614 (41300)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	33	16028 (57000)	16028 (57000)	16028 (57000)	16028 (57000)	16028 (57000)	16028 (57000)

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