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PRESIDENT'S DESK

ICE Futures Insight

The latest Traders Report showed a fourth consecutive week of speculative selling, with funds reducing their long positions and adding fresh short positions. Speculators have remained net long for the past 10 weeks after having been net short for the previous 101 weeks. It took only seven weeks for them to move from a net short to a net long position, and if the current pace of liquidation continues, they could return to a net short position in the coming weeks.

On the physical side, the sale of nearly 850,000 US bales across the current and next seasons during the past two weeks highlights strong buying interest around the mid-70 cents level. This demand is evident for both US and non-US cotton, and for both nearby and forward deliveries. Spinners appear comfortable building inventories at these price levels, aided by a slightly weaker nearby basis.

However, demand begins to weaken as prices approach 80 cents per pound, indicating that the mid-70s remain the preferred buying zone for the spinning industry.

Government Borrowings and FPIs

Shri. Anil Kumar Bhansali, Head of Treasury, Finrex Treasury Advisors LLP, has a rich experience in 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
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Finrex Treasury Advisors LLP*

Every year, the government needs to borrow trillions of rupees, be it for infrastructure, skill development, or any number of government initiatives and one way to do that is to issue government securities or G-Secs. Think of them as IOUs (I Owe You). You lend money to the government today, and in return, it promises to pay you interest and repay you the principal later at a predetermined date. Mostly banks, insurance companies, and pension funds buy them, apart from retail investors and over the years, India has tried to make our domestic bond market more attractive to foreign investors, too. They did this through something called the FAR or 'Fully Accessible Route'.

FAR: - This was introduced back in 2020, and it basically allows foreigners to invest in certain government bonds without restrictions. Before FAR, foreign portfolio investors (FPIs) could only buy government securities up to specified quotas. Once those limits were exhausted, no additional foreign investment was allowed. FAR changed this by designating certain Government of India securities as FAR-eligible bonds, which eligible non-resident investors can purchase without any cap and this move paid off. Since then, India has steadily opened up its bond market and secured inclusion in some of the world's biggest bond indices, including JPMorgan's Emerging Market Bond Index and FTSE Russell's Emerging Markets Government Bond Index.

Now, a few years later, the government has announced tax exemptions for foreign investors on interest income and capital gains in eligible government bonds. Which makes you ask,

“Why would India willingly give up tax revenue by exempting foreign investors from taxes?” Well, the answer is that India is trying to solve multiple problems at the same time. The most immediate one is participation. See, despite years of reforms, foreign portfolio investors own just 2.96% of India’s government securities. The reason is simple. Foreign bond investors have options. And lots of them. Whether it’s a pension fund sitting in Canada, an insurance firm in Japan or an asset management company in Europe, they aren’t just picking Indian bonds over nothing. They constantly have to choose among Indian G-secs, US Treasuries, Japanese government bonds, German Bunds, and dozens of other debt instruments worldwide. So when they’re comparing options, they’re not only looking at the returns. They also ask themselves the following questions: So when they’re comparing options, they’re not only looking at the returns. They also ask themselves the following questions:

- How easy is it to invest?
- How easily can money move in and out of the country?
- How tricky are the tax rules?
- How liquid is the market?
- And how much paperwork is involved?

In other words, the challenge is no longer convincing investors that India is worth investing in. India, being one of the world’s fastest-growing major economies, has already done that. Rather, the challenge is to convince them that India is an easy place to invest. Besides, commercial banks, insurance companies, and the RBI collectively hold close to 75% of all government securities. By removing taxes on interest income and capital gains, India hopes to make its bonds more competitive with alternatives such as US Treasuries and Japanese government bonds. India has already seen a glimpse of what that can look like.

When Indian government bonds entered JPMorgan’s Emerging Market Bond Index in June 2024, analysts estimated that the inclusion could bring in another \$30 billion of inflows as India’s weight in the index increased. Plus, more participation can have an underrated side effect. The Indian government borrows trillions of rupees every year. And like any borrower, it benefits when more lenders are willing to show up. A larger pool of investors can make the bond market deeper and more liquid. And if enough

investors compete to buy government bonds, borrowing costs could eventually come down as well. But another very interesting reason for these tax breaks is India’s long-running pursuit of inclusion in the Bloomberg Global Aggregate Index. Think of it like this. When a company is included in the Nifty50 Index, billions of rupees from index-tracking funds start flowing into its stock. Similarly, when a country gets included in the Bloomberg Global Aggregate Index, it can suddenly find itself on the radar of a much larger pool of global capital. In a way, index inclusion acts like a distribution network. Without it, India has to convince thousands of investors individually that its bonds are worth buying. But with it, India’s bonds automatically become visible to funds that track or benchmark themselves against the index.

Reports suggest that being included in the index could add up to \$25 billion in inflows to the bond market. That’s why countries spend years trying to qualify and that’s also why India has been steadily removing barriers that foreign investors have complained about. However, despite years of reforms, India is still not part of the index. In fact, Bloomberg reviewed India’s case in January this year and decided to postpone a decision, saying it wanted more time to evaluate operational and market-access issues. It promised to revisit the matter in the second half of 2026 and now, with the second half of 2026 fast approaching, India had to strengthen its case. So the timing of the move may not be accidental either. With oil prices rising and the rupee under pressure, attracting foreign money into government bonds could bring additional capital into the country. And because many bond investors are long-term institutions such as pensions funds and insurers, those inflows could be more stable than equity.

That said, a tax break alone may not be enough. Foreign investors don’t earn returns in rupees. They ultimately measure their gains in dollars, euros or yen which means currency movements matter. Even if an investor earns an attractive return on an Indian government bond, a weakening rupee can eat into those gains once the money is converted back into their home currency. That’s one reason why many global investors favour markets such as the United States. US Treasuries may offer lower yields than some emerging-market bonds, but they come with the backing of the US dollar and one

Table 4.4: Ownership Pattern of Government of India Dated Securities (at quarter end)
(Per cent of outstanding dated securities)

Category	2024	2025			
	Dec	Mar	Jun	Sep	Dec
1. Commercial Banks	37.98	36.18	35.28	35.43	34.31
2. Co-operative Banks	1.36	1.29	1.29	1.32	1.33
3. Non-Bank PDs	0.65	0.76	0.59	0.60	0.55
4. Insurance Companies	26.14	25.81	25.95	25.81	25.89
5. Mutual Funds	3.11	2.68	2.46	2.77	2.74
6. Provident Funds	4.25	4.24	4.35	4.45	4.58
7. Pension Funds	5.05	4.91	4.96	4.90	4.77
8. Financial Institutions	0.64	0.71	0.74	0.76	0.76
9. Corporates	1.45	1.49	1.26	1.25	1.23
10. Foreign Portfolio Investors	2.81	3.12	2.80	2.97	2.96
11. RBI	10.55	12.78	14.21	13.54	14.52
12. Others	6.01	6.01	6.13	6.22	6.35

of the deepest financial markets on the planet. So while the tax break removes one hurdle, it doesn't eliminate every concern investor may have. Seen this way, the tax break doesn't look like an isolated giveaway. It looks like the latest step in a strategy that has been unfolding for years. The bigger question is whether that will be enough and whether global investors will walk through it.

Yes, the recent tax cuts are likely to attract more foreign money into India, but the effect will probably be stronger for bond markets than for equities. The key measure was the Indian government's decision to exempt foreign investors from capital gains tax on investments in Indian government securities. This significantly improves the post-tax return on Indian bonds for overseas investors.

Why foreign investors may increase allocations

Higher after-tax returns

- Foreign portfolio investors (FPIs) previously paid capital gains tax on government bond investments.
- Removing that tax makes Indian government bonds more competitive versus other emerging markets.

India's growth advantage

- India remains one of the fastest-growing major economies.
- Strong growth combined with relatively attractive bond yields is a powerful draw for global capital.

Global bond index inclusion

- Tax reforms improve India's chances of deeper inclusion in major global bond indices.
- Index inclusion can trigger automatic inflows from international funds that track those benchmarks.

Early signs of inflows

- Reports indicate foreign investors have already increased purchases of Indian government bonds after the announcement, with more than \$1 billion flowing into the market shortly after the reforms.
- Why inflows may not be massive immediately
- Foreign investors also watch the **rupee**, inflation, global interest rates, and geopolitical risks.
- If the rupee weakens significantly, some of the tax benefit can be offset by currency losses.
- Operational and regulatory issues still need to be resolved before some investors increase exposure substantially.

FDI vs. Portfolio Flows

- It's important to distinguish between:
 - **Foreign Portfolio Investment (FPI):** money into stocks and bonds; this should benefit the most from the tax cuts.
 - **Foreign Direct Investment (FDI):** factories, infrastructure, business investments; these depend more on growth prospects, regulations, ease of doing business, and policy stability than on bond-tax changes alone.

Bottom line

The tax cuts increase the probability of foreign capital flowing into India, especially into government bonds and debt markets. Most analysts expect positive inflows, but the size of the inflow will ultimately depend on currency stability, global risk appetite, and whether India follows up with additional investor-friendly reforms. Recent reports suggest policymakers themselves view the tax relief as only the first step in a broader effort to attract foreign capital.

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

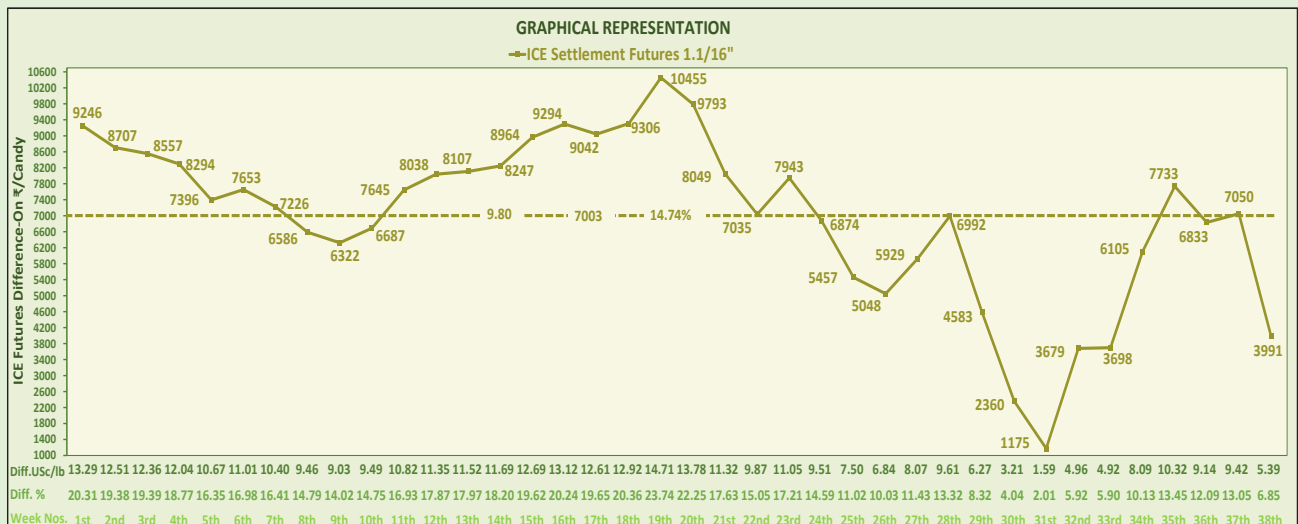
Basis Comparison of ICS 105 with ICE Futures – 20th June 2026

SEASON 2025-2026							
Comparison M/M(P) ICS-105, Grade Fine, Staple 29mm, Mic. 3.7-4.9, Trash 3.5%, Str./GPT 28 with ICE Futures							
Date	CAI (₹ /Candy)	Conversion Rate (US\$ = ₹)	CAI (USc/lb.)	ICE Settlement Futures 1.1/16" Front Mth. Dec'26 (USc/lb.)	Difference-ON/OFF ICE Futures		
					USc/lb.	₹ /Candy	%
A	B	C	D	E	F	G	H
Cotton Year Week No-38th							
15 th Jun 2026	61300	94.71	82.56	76.81	5.75	4270	7.49
16 th Jun 2026	61500	94.56	82.96	77.75	5.21	3862	6.70
17 th Jun 2026	62000	94.53	83.66	79.79	3.87	2868	4.85
18 th Jun 2026	63000	94.34	85.18	79.67	5.51	4075	6.92
19 th Jun 2026	63800	94.33	86.27	79.67	6.60	4881	8.28
Weekly Avg.	62320	94.49	84.13	78.74	5.39	3991	6.85
Total Avg. frm 1st Wk to 38th Wk (Weekly	56418	91.61	78.45	68.65	9.80	7003	14.74

Note:- Weeks taken as per Cotton Year (October To September).

Values in **BLUE** Indicates Previous Close Considered due to HOLIDAY's Resp.

19th Jun 2026 - US markets remain CLOSED due to Juneteenth holiday.

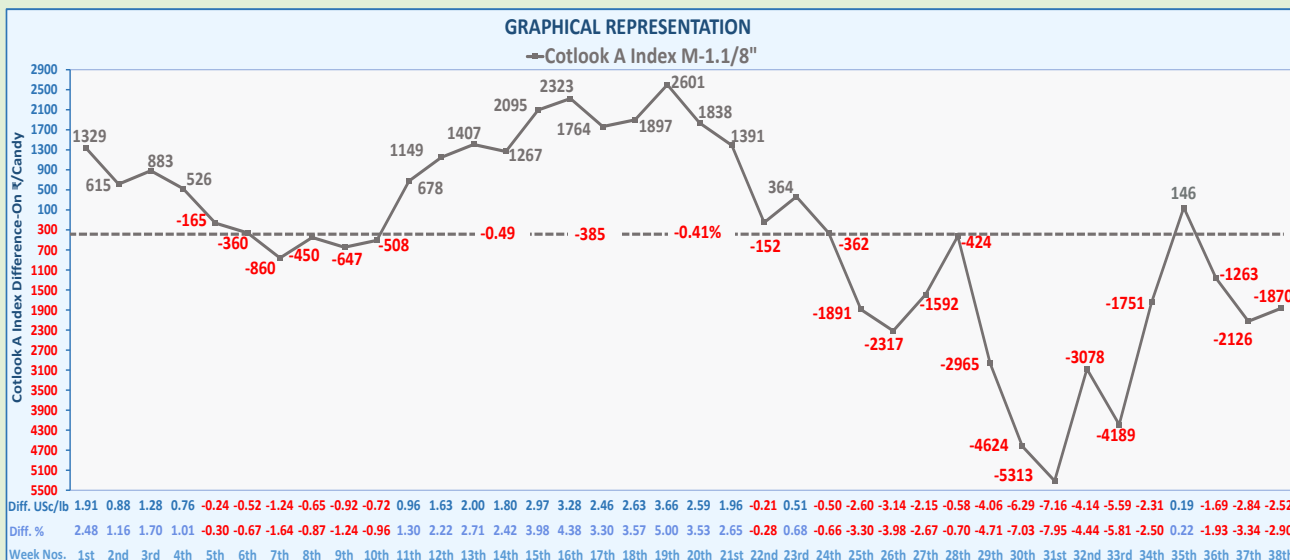


Basis Comparison of ICS 105 with Cotlook A Index – 20th June 2026

SEASON 2025-2026							
Comparison M/M(P) ICS-105, Grade Fine, Staple 29mm, Mic. 3.7-4.9, Trash 3.5%, Str./GPT 28 with Cotlook A Index							
Date	CAI (₹ /Candy)	Conversion Rate (US\$ = ₹)	*CAI (USc/lb.)	Cotlook A Index M-1.1/8" C & F FE Ports	Difference-ON/OFF Cotlook A Index		
					USc/lb.	₹/Candy	%
A	B	C	D	E	F	G	H
Cotton Year Week No-38th							
15 th Jun 2026	61300	94.71	82.76	85.05	-2.29	-1700	-2.69
16 th Jun 2026	61500	94.56	83.16	85.50	-2.34	-1735	-2.74
17 th Jun 2026	62000	94.53	83.86	86.50	-2.64	-1957	-3.05
18 th Jun 2026	63000	94.34	85.38	88.60	-3.22	-2382	-3.63
19 th Jun 2026	63800	94.33	86.47	88.60	-2.13	-1575	-2.40
Weekly Avg.	62320	94.49	84.33	86.85	-2.52	-1870	-2.90
Total Avg. frm 1st Wk to 38th Wk (Weekly Basis)	56418	91.61	78.65	79.14	-0.49	-385	-0.41

Note:- Weeks taken as per Cotton Year (October To September).

*Converted to C & F FE Ports by adding 20c/lb. to CAI spot rates.



ICA Expands Outreach in India

As part of its Outreach initiative, the ICA visited India in May to engage with key stakeholders in the cotton sector and promote the Association's activities and services.

Pierre Chehab (ICA President) and Bill Kingdon (ICA Managing Director) visited a number of spinning mills and cotton industry organisations across India to better understand the challenges and concerns facing mills, while also promoting the benefits of ICA membership to both individual firms and the wider industry. Their visit included Ahmedabad, Coimbatore, Ludhiana and Mumbai.

In Mumbai, the ICA delegation met with the directors of the Cotton Association of India (CAI) to strengthen ongoing communication and collaboration between the two organisations. The visit culminated in the signing of a renewed Memorandum of Understanding (MoU) between the ICA and the CAI, reaffirming their commitment to continued cooperation.

Robert Jiang (ICA Business Operations & Development Manager) and Jamie Welsh (DJW Cotton Consulting Limited) also delivered two workshops in the textile hubs of India, Ahmedabad and Coimbatore, respectively. The workshops focused on key knowledge modules essential for international cotton trading. A total of 73 participants attended, representing spinning, ginning, trading, brokerage, and quality control. The workshops were organised by the Cotton Association of India (CAI) in collaboration with the Gujcot Trade Association in Ahmedabad, and with the Indian Cotton Federation and the South India Spinners Association in Coimbatore. Two international cotton merchants, LDC and ECOM, also contributed to the programme, delivering presentations on risk management in Ahmedabad and Coimbatore, respectively.

Speaking after the visit, Vinay Kotak (President of CAI) said; *"The Cotton Association of India (CAI), in collaboration with the International Cotton Association (ICA), successfully organised the ICA Outreach and Training Courses in Ahmedabad and Coimbatore during May 2026. These programmes provided a valuable platform for participants across the cotton value chain to gain a deeper understanding of the ICA Rules and By-laws governing international cotton trade. The sessions helped educate traders, brokers, exporters, importers, spinning mills and other stakeholders on contract sanctity, dispute prevention and resolution mechanisms, quality standards and safe trading practices. By enhancing awareness of internationally accepted trading procedures and arbitration systems, the programmes contributed to greater professionalism, transparency and confidence in cotton trade transactions."*

I place on record my sincere appreciation to the ICA President, Board of Directors and faculty members for organising these highly useful programmes in India, as well as to all supporting organisations for their valuable cooperation. Both the CAI and ICA remain firmly committed to promoting safe trading practices and upholding the sanctity of contracts in the international cotton trade. Outreach and Training Courses of this nature go a long way in advancing these objectives by fostering knowledge, professionalism and fair trade practices across the cotton value chain."

Pankaj Mepani (Organiser and Director of CAI) added; *"The workshops received an overwhelmingly positive response from participants. Encouraged by the strong feedback, the CAI and ICA agreed to organise similar events on a biennial basis."*

Source: <https://ica-ltd.org/ica-expands-outreach-in-india/>



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Representing Indian Cotton Globally

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BUILD TRUST

Transparent and impartial testing you can rely on



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Meet international quality benchmarks with confidence



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Stronger Industry
Greater Value**



Cloth Pieces



Polypropylene



Strings



Dyed and white yarns



Plastics & Film



Jute & Yarn



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SCIENTIFIC TESTING | IMPARTIAL RESULTS | STRENGTHENING THE INDIAN COTTON INDUSTRY

UPCOUNTRY SPOT RATES (Rs./Qtl)													
Standard Descriptions with Basic Grade & Staple in Millimeters based on Upper Half Mean Length As per CAI By-laws								Spot Rate (Upcountry) 2025-26 Crop June 2026					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	15th	16th	17th	18th	19th	20th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	14116 (50200)	14116 (50200)	14116 (50200)	14369 (51100)	14369 (51100)	14369 (51100)
2	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	15%	20	11585 (41200)	11670 (41500)	11810 (42000)	12092 (43000)	12092 (43000)	12232 (43500)
3	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14060 (50000)	14060 (50000)	14201 (50500)	14454 (51400)	14622 (52000)	14622 (52000)
4	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	15803 (56200)	15916 (56600)	16056 (57100)	16310 (58000)	16338 (58100)	16338 (58100)
5	M/M(P)/ SA/TL/GUJ	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	14482 (51500)	14482 (51500)	14482 (51500)	14735 (52400)	15016 (53400)	15016 (53400)
6	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	15663 (55700)	15607 (55500)	15607 (55500)	15860 (56400)	16141 (57400)	16169 (57500)
7	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	16478 (58600)	16619 (59100)	16759 (59600)	17013 (60500)	17013 (60500)	17013 (60500)
8	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.9	3.5%	27	16675 (59300)	16731 (59500)	16872 (60000)	17153 (61000)	17434 (62000)	17491 (62200)
9	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.9	3.5%	27	16310 (58000)	16253 (57800)	16253 (57800)	16450 (58500)	16731 (59500)	16872 (60000)
10	GUJ	ICS-105	Fine	28mm	3.7 – 4.9	3%	27	16619 (59100)	16675 (59300)	16816 (59800)	17069 (60700)	17238 (61300)	17294 (61500)
11	R(L)	ICS-105	Fine	28mm	3.7 – 4.9	3.5%	27	16169 (57500)	16169 (57500)	16310 (58000)	16619 (59100)	16759 (59600)	16759 (59600)
12	R(L)	ICS-105	Fine	29mm	3.7 – 4.9	3.5%	28	17209 (61200)	17266 (61400)	17406 (61900)	17716 (63000)	17856 (63500)	17856 (63500)
13	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.9	3.5%	28	17238 (61300)	17294 (61500)	17434 (62000)	17716 (63000)	17940 (63800)	17997 (64000)
14	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.9	3%	28	16816 (59800)	16759 (59600)	16759 (59600)	17013 (60500)	17434 (62000)	17575 (62500)
15	GUJ	ICS-105	Fine	29mm	3.7 – 4.9	3%	28	17181 (61100)	17238 (61300)	17378 (61800)	17631 (62700)	17800 (63300)	17856 (63500)
16	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.9	3%	29	17491 (62200)	17519 (62300)	17659 (62800)	17940 (63800)	18222 (64800)	18278 (65000)
17	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.9	3%	29	17069 (60700)	17069 (60700)	17069 (60700)	17266 (61400)	17716 (63000)	17856 (63500)
18	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.9	3%	30	17997 (64000)	17997 (64000)	18137 (64500)	18419 (65500)	18559 (66000)	18559 (66000)
19	SA/TL/K/ TN/O	ICS-105	Fine	31mm	3.7 – 4.9	3%	30	17997 (64000)	17997 (64000)	17997 (64000)	18194 (64700)	18334 (65200)	18419 (65500)
20	SA/TL/K / TN/O	ICS-106	Fine	32mm	3.5 – 4.9	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
21	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	23058 (82000)	23058 (82000)	23143 (82300)	23227 (82600)	23227 (82600)	23227 (82600)
22	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	23199 (82500)	23199 (82500)	23283 (82800)	23368 (83100)	23368 (83100)	23368 (83100)
23	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	23902 (85000)	23902 (85000)	23986 (85300)	24071 (85600)	24071 (85600)	24071 (85600)
24	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	24043 (85500)	24043 (85500)	24127 (85800)	24211 (86100)	24211 (86100)	24211 (86100)

Note: P/H/R(U) ICS-202(SG) is lower by Rs.1000/- pc than Sr. No. 4.
Note: Figures in bracket indicate prices in Rs./Candy