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Cotton Association of India

COTTON STATISTICS & NEWS

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The Month That Was - Snippets for July 2024

India Catches Up to China as The World's Largest Emerging Market

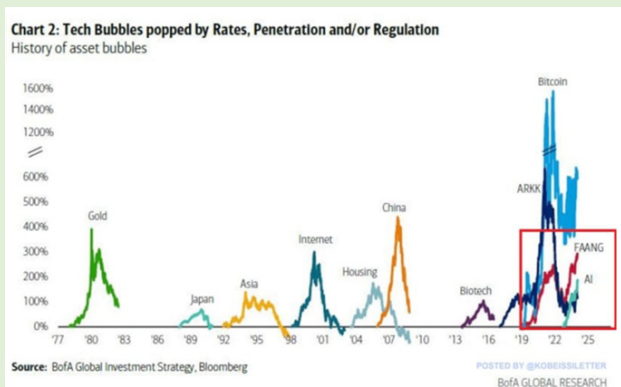
India quickly catches up to China as the world's largest emerging market. Indian stocks comprise nearly 20% of the MSCI Emerging Markets index, while China has dropped to a quarter from 40% in 2020. The narrowing gap has become one of the biggest issues for investors in emerging markets this year as they debate whether to put capital into an already red-hot Indian market, or into Chinese stocks



(Financial Times)

that are relatively cheap, but are being hit by an economic slowdown.

Is AI Hype A Bubble, The Next Big Thing, Or Both?



Source: BofA Global Investment Strategy, Bloomberg

POSTED BY @KOBESSILETTER
BoFA GLOBAL RESEARCH

AI-related stocks have rallied more than 200% since ChatGPT was released in November 2022, largely driven by Nvidia, \$NVDA, gains. Moreover, FAANG stocks, Meta, Apple, Amazon, Netflix, and Google are up ~300% over the last 5 years.

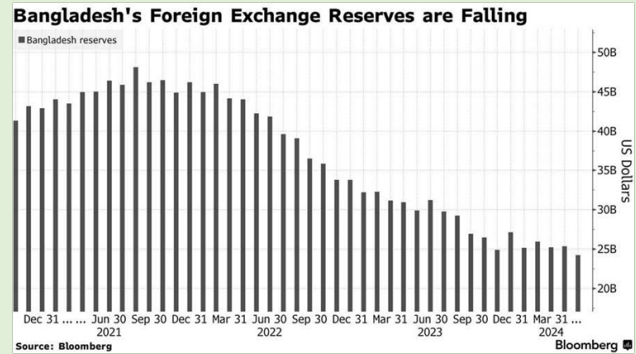
By comparison, during the 1990s Dot-Com frenzy, Internet-related stocks rallied ~300% in just 2 years before the bubble popped. On the other hand, the US housing bull market lasted for 4 years and finished after posting 200% gains. Even if AI is the next big thing, asset prices can't move in a straight line higher forever.

(The Kobeissi Letter)

Bangladesh to Tap China for \$5 Billion Loan to Boost Economy

Bangladesh is in talks with China for a loan of about \$5 billion to bolster the nation’s dwindling foreign-exchange reserves, the central bank governor said, drawing the South Asian country closer to Beijing.

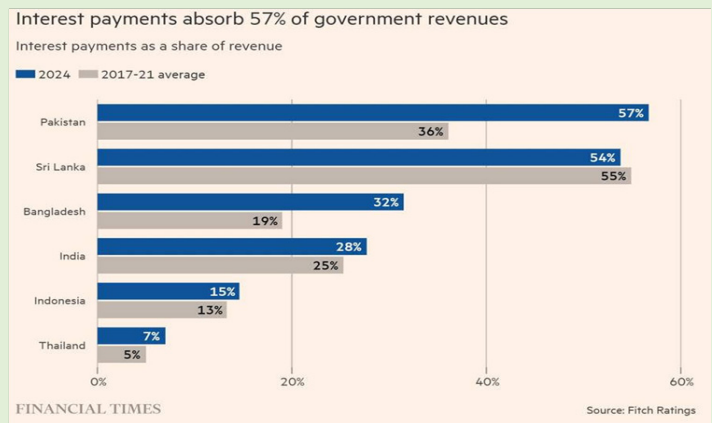
The funds will be denominated in yuan and give exporters access to financing they can use to pay for much-needed raw material imports from China, Governor Abdur Rouf Talukder said in an interview in Dhaka. Bangladesh’s imports from China exceed its exports by more than 10 times, putting huge strain on the country’s reserves. “If we get this loan, it will help us in two ways: we can settle some of the Chinese payments in yuan and it will help to build our reserves because renminbi is a reserve currency” approved by the International Monetary Fund, he said.



The country’s foreign reserves have steadily declined since the pandemic, largely due to plunging exports – garment shipments make up about 10% of the economy – and soaring prices of commodities. Bangladesh last year secured \$4.7 billion in loans from the IMF, helping it ward off the kind of economic crisis that Sri Lanka went through. Still, exports remain under pressure and importers are struggling to get their hands on dollars. Fitch Ratings in May cut the nation’s credit score further into junk because of its falling reserves.

Interesting Information on Interest Payments

An interesting chart from the @FT covering some major Asian economies. A similar graph for Africa, Latin America, and the Middle East would show quite a few other cases where debt service payments eat a huge chunk of the budget, also crowding out much-needed spending on social sectors such as health and education.



Magnificent 7 Stocks Lose Steam

Stock	% Drop Since July 10th	Market Cap Lost
NVDA	23%	\$800 Billion
MSFT	15%	\$554 Billion
AMZN	12%	\$259 Billion
GOOGL	12%	\$288 Billion
AAPL	9%	\$312 Billion
META	18%	\$257 Billion
TSLA	19%	\$164 Billion
Total		\$2.6 Trillion

Source: @KobeissiLetter

The Magnificent 7 stocks have now erased a combined \$2.6 TRILLION of market cap over the last 20 days. That’s an average of \$125 billion of market cap PER DAY for 20 days sight. Nvidia, alone has erased over \$1 trillion in market cap since its high seen one month ago. In other words, the Magnificent 7 have lost as much value as Nvidia’s ENTIRE current market cap in 20 days. That’s also \$200 billion more than every stock in Germany’s stock market combined.

(The Kobeissi Letter)

Setback to Germany's Economy



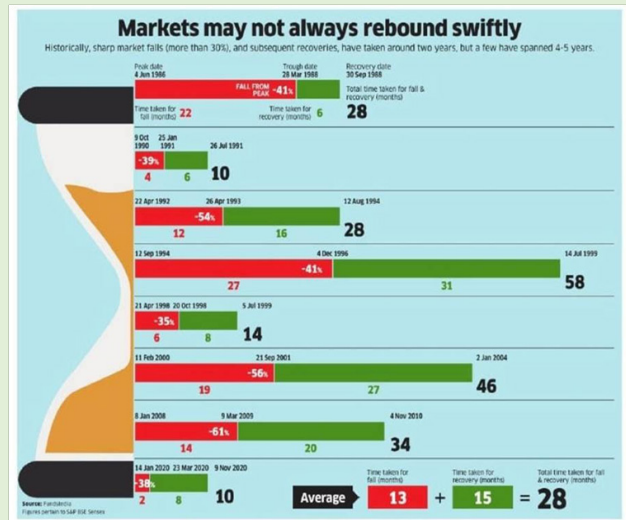
There is a further setback to economic recovery in Germany. Factory orders unexpectedly plummeted in May. Demand dropped 1.6% MoM vs +0.5% expected. Result extends slump to 5 months, highlighting persistent struggles of German manufacturers. Orders down 8.6% YoY.

Having A Place to Live is Becoming a Luxury in America

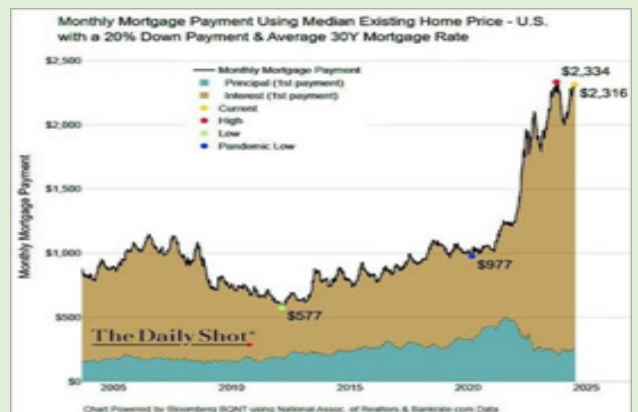
The median new mortgage payment now requires 41.4% of the median US household income, according to Reventure. To put this in perspective, even at the peak of the 2008 Financial Crisis, this metric topped at 39.3%. On a post-tax basis, new homebuyers are spending over HALF of their annual income on mortgage payments. Even renting a home now costs over 30% of the median household income in the US. The last time housing affordability was this bad, interest rates were nearly 20%. Simply having a place to live is becoming a luxury.



Market Unpredictability



New investors in markets may believe that corrections always last for just a few days/weeks, but that is not true. Look at the past - there have been periods when it took markets a lot longer to recover fully.

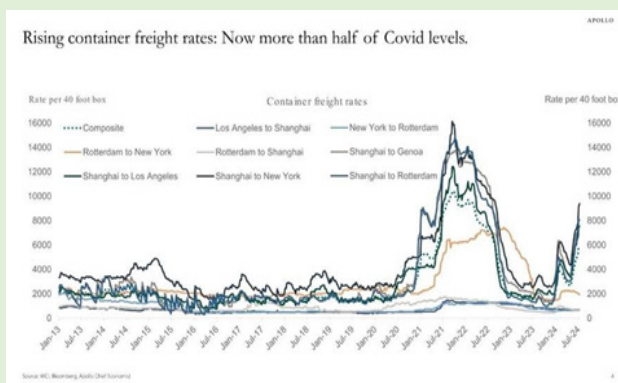


With US housing affordability at its worst levels in decades and supply limited, the market is increasingly favoring buyers with strong credit scores, as evidenced by the rising average FICO scores for purchase loans. According to the AEI Housing Center, the average borrower FICO score for purchase loans was 738, the highest level in the 11-year history of their series.

Supply Chain Stresses Coming Back

Container freight rates are rising, and it currently costs \$9,000 to transport a 40-foot container from Shanghai to New York. At the peak of Covid, the cost was \$16,000. The sources for the rise in transportation costs are Suez crossings significantly below normal levels, disruptions at some Asian ports, and growth in demand due to restocking.

The rise in transportation costs is very specific to containers. Freight rates by truck, rail, and air have generally not increased by the same magnitude. Only the Baltic Capesize Index is trending significantly higher.



Most importantly, if the global economy was slowing down rapidly, then all transportation costs would be falling. That is not what we are seeing, which suggests that global growth continues to be fine.

The IMF Comes Out with Economic Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2023	2024	2025
World Output	3.3	3.2	3.3
Advanced Economies	1.7	1.7	1.8
United States	2.5	2.6	1.9
Euro Area	0.5	0.9	1.5
Germany	-0.2	0.2	1.3
France	1.1	0.9	1.3
Italy	0.9	0.7	0.9
Spain	2.5	2.4	2.1
Japan	1.9	0.7	1.0
United Kingdom	0.1	0.7	1.5
Canada	1.2	1.3	2.4
Other Advanced Economies	1.8	2.0	2.2
Emerging Market and Developing Economies	4.4	4.3	4.3
Emerging and Developing Asia	5.7	5.4	5.1
China	5.2	5.0	4.5
India	8.2	7.0	6.5
Emerging and Developing Europe	3.2	3.2	2.6
Russia	3.6	3.2	1.5
Latin America and the Caribbean	2.3	1.9	2.7
Brazil	2.9	2.1	2.4
Mexico	3.2	2.2	1.6
Middle East and Central Asia	2.0	2.4	4.0
Saudi Arabia	-0.8	1.7	4.7
Sub-Saharan Africa	3.4	3.7	4.1
Nigeria	2.9	3.1	3.0
South Africa	0.7	0.9	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.4	4.2	4.2
Low-Income Developing Countries	3.9	4.4	5.3

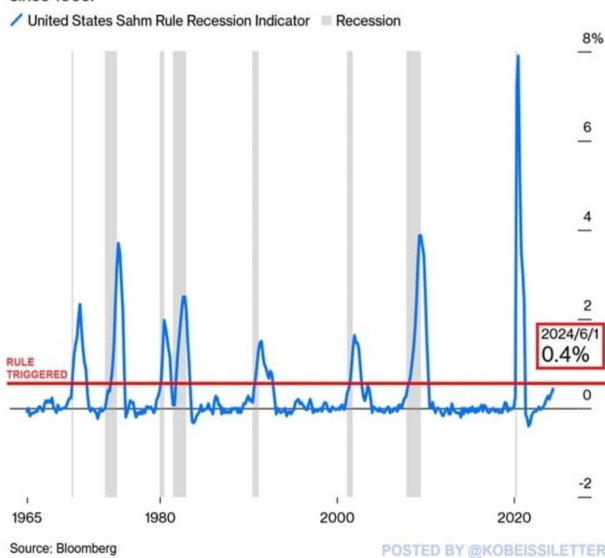
Source: IMF, World Economic Outlook Update, July 2024

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2023/2024 (starting in April 2023) shown in the 2023 column. India's growth projections are 7.3 percent in 2024 and 6.5 percent in 2025 based on calendar year.

The Sahm Rule

The Sahm Rule Is a Good Predictor of Recessions

The threshold for unemployment has correlated with a recession eight times since 1965.



Recession fears in the US are growing: The Sahm Rule is an economic indicator suggesting a downturn once the unemployment rate increases 0.5 percentage points above its previous 12-month low. In previous business cycles, every time this indicator crossed above the 0.5% threshold a recession followed. It now stands at 0.4%, just 0.1 percentage points away from signaling a recession in the US. The unemployment rate would need to rise to 4.2% in this week's jobs report to break the threshold.

(The Kobeissi Letter)

CAI Releases its Cotton Pressing Estimate upto 30th June 2024

As per feedback received from various upcountry associations and other trade sources, Cotton Association of India (CAI) has estimated cotton pressing numbers for all States at 306.39 lakh bales of 170 kgs. each (equivalent to 321.52 lakh running bales of 162 kgs. each) for 9 months i.e. from 1st October 2023 to June 2024. Further, CAI has also drawn monthly cotton balance sheet for the month of June 2024. The state-wise break-up of cotton pressing numbers upto 30th June 2024 as well as cotton balance sheet for the month of June 2024 as drawn by CAI are given below.

The total cotton supply till end of June 2024 is estimated by the CAI at 342.29 lakh bales of 170 kgs. each (equivalent to 359.19 lakh running bales of 162 kgs. each) which consists of the pressings of 306.39 lakh bales of 170 kgs. each (equivalent to 321.52 lakh running bales of 162 kgs. each), imports of 7.00 lakh bales of 170 kgs. each (equivalent to 7.35 lakh running bales of 162 kgs. each) and the opening stock estimated by the CAI at 28.90 lakh bales of 170 kgs. each (equivalent to 30.33 lakh running bales of 162 kgs. each) at the beginning of the season.

Further, the CAI has estimated cotton consumption upto the end of June 2024 at 240 lakh bales of 170 kgs. each (equivalent to 251.85 lakh running bales of 162 kgs. each) while the export shipments upto 30th June 2024 are estimated by the CAI at 25 lakh bales of 170 kgs. each (equivalent to 26.23 lakh running bales of 162 kgs. each). Stock at the end of June 2024 is estimated at 77.29 lakh bales of 170 kgs. each (equivalent to 81.11 lakh running bales of 162 kgs. each) including 40.00 lakh bales of 170 kgs. each (equivalent to 41.98 lakh running bales of 162 kgs. each) with textile mills which is about 46 days consumption and the remaining 37.29 lakh bales of 170 kgs. each (equivalent to 39.13 lakh running bales of 162 kgs. each) with CCI, Maharashtra Federation and others (MNCs, MCX, traders, ginners, etc.) including cotton sold but not delivered.

The CAI has retained its yearly balance sheet as estimated previously. A copy of the yearly balance sheet as drawn by CAI previously is given below.

CAI's Cotton Pressing Estimate for the Seasons 2023-24 and 2022-23

(in lakh bales of 170 kg.)

State	Indian Cotton pressing Estimate*				Pressed Cotton Bales as on 30th June 2024	
	2023-24		2022-23		2023-24	
	In running b/s of 162 Kgs. each	In lakh b/s of 170 Kgs. each	In running b/s of 162 Kgs. each	In lakh b/s of 170 Kgs. each	In running b/s of 162 Kgs. each	In lakh b/s of 170 Kgs. each
Punjab	3.94	3.75	2.89	2.75	3.83	3.65
Haryana	13.90	13.25	11.54	11.00	13.45	12.82
Upper Rajasthan	16.27	15.50	18.89	18.00	16.20	15.44
Lower Rajasthan	14.17	13.50	11.81	11.25	13.85	13.20
Total North Zone	48.27	46.00	45.12	43.00	47.34	45.11
Gujarat	92.35	88.00	99.07	94.41	90.17	85.93
Maharashtra	90.77	86.50	84.70	80.71	89.09	84.90
Madhya Pradesh	19.41	18.50	20.46	19.50	18.63	17.75
Total Central Zone	202.53	193.00	204.23	194.62	197.89	188.58
Telangana	36.73	35.00	32.01	30.50	35.99	34.30
Andhra Pradesh	13.12	12.50	17.21	16.40	12.07	11.50
Karnataka	20.99	20.00	23.61	22.50	20.67	19.70
Tamil Nadu	5.77	5.50	5.72	5.45	1.57	1.50
Total South Zone	76.60	73.00	78.55	74.85	70.31	67.00
Orissa	3.88	3.70	3.60	3.43	3.88	3.70
Others	2.10	2.00	3.15	3.00	2.10	2.00
Total	333.39	317.70	334.65	318.90	321.52	306.39

* Including loose

The Balance Sheet drawn by the Association for 2023-24 and 2022-23 is reproduced below:

(in lakh bales of 170 kg.)

Details	2023-24 (P)	2022-23 (P)
Opening Stock	28.90	24.00
Cotton Pressing	317.70	318.90
Imports	16.40	12.50
Total Supply	363.00	355.40
Non-MSME Consumption	201.00	280.00
MSME Consumption	100.00	15.00
Non-Textile Consumption	16.00	16.00
Total Domestic Demand	317.00	311.00
Available Surplus	46.00	44.40
Exports	26.00	15.50
Closing Stock	20.00	28.90

Balance Sheet of 9 months i.e. from 1.10.2023 to 30.06.2024 for the season 2023-24

Details	In lakh b/s of 170 kg.	In '000 Tons
Opening Stock as on 01.10.2023	28.90	491.30
Arrivals upto 30.06.2024	306.39	5208.63
Imports upto 30.06.2024	7.00	119.00
Total available	342.29	5818.93
Consumption	240.00	4080.00
Export Shipments upto 30.06.2024	25.00	425.00
Stock with Mills	40.00	680.00
Stock with CCI, Maha Fedn., MNCs, Ginners, Traders & Exporters	37.29	633.93
Total	342.29	5818.93

Break-Up of the Stock of 37.29 Lakh Bales with Other Than Mills is as Under:-

(in lakh b/s of 170 kgs. each)

CCI	22.00
MNCs / Ginners	14.89
MCX	0.40
T O T A L	37.29

Statement of State-Wise Unsold Stock as on 30th June 2024

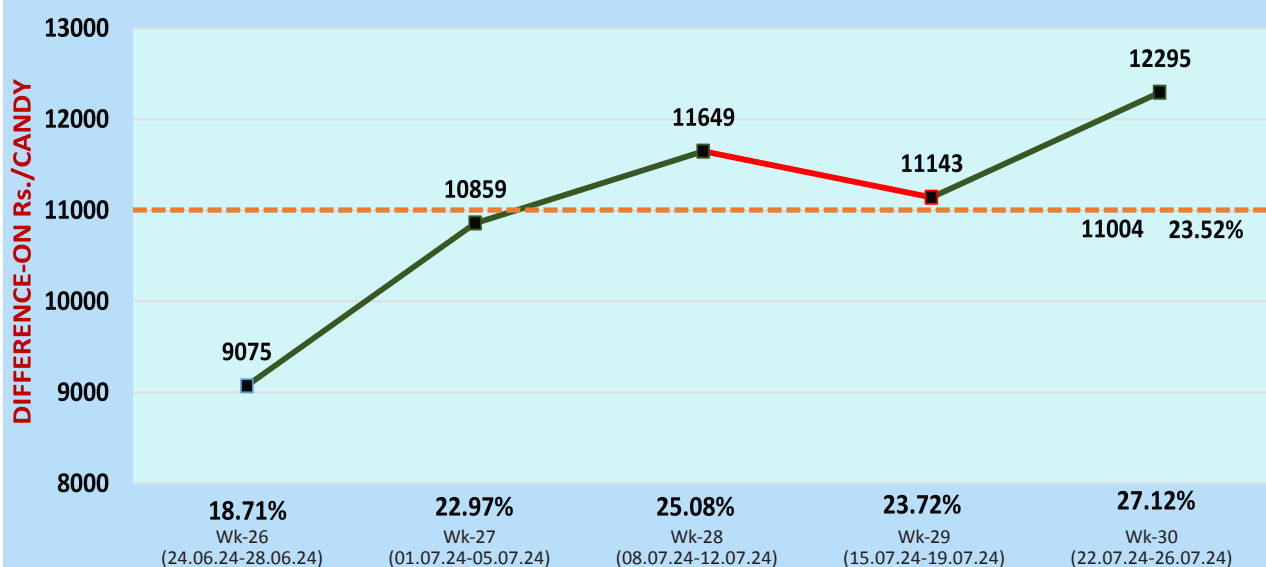
State	MNC	Ginners	Total
Punjab	0	15000	15000
Haryana	10000	45000	55000
Rajasthan	0	170000	170000
Gujarat	50000	350000	400000
Maharashtra	100000	400000	500000
Madhya Pradesh	0	160000	160000
Telangana	10000	60000	70000
Karnataka	10000	40000	50000
Andhra Pradesh	0	45000	45000
Odisha	0	24000	24000
Tamil Nadu	0	0	0
T O T A L	180000	1309000	1489000

Comparison of ICE-Futures and ICS-105 27th July 2024

M/M(P) ICS-105, Grade Fine, Staple 29mm, Mic. 3.7-4.5, Trash 3.5%, Str./GPT 28

Date 2024	CAI Rates Rs./c.	ICE Settlement Futures		1 US \$ = Rs.	Conversion Factor	Indian Ctn in USc/lb.	Difference-ON		%
		Cover Mth.	USc/lb.				USc/lb.	Rs./c	
A	B	C	D	E	F	G	H	I	J
Week No-30									
22 July	57900	Dec. '24	70.62	83.67	655.97	88.27	17.65	11575	24.99
23 July	57900	Dec. '24	69.48	83.67	655.97	88.27	18.79	12323	27.04
24 July	57700	Dec. '24	68.65	83.71	656.29	87.92	19.27	12646	28.07
25 July	57500	Dec. '24	68.90	83.74	656.52	87.58	18.68	12266	27.12
26 July	57300	Dec. '24	67.99	83.74	656.52	87.28	19.29	12663	28.37
Wk-30 (22.07.24-26.07.24)						Avg.	18.73	12295	27.12
Wk-29 (15.07.24-19.07.24)						Avg.	17.00	11143	23.72
Wk-28 (08.07.24-12.07.24)						Avg.	17.79	11649	25.08
Wk-27 (01.07.24-05.07.24)						Avg.	16.59	10859	22.97
Wk-26 (24.06.24-28.06.24)						Avg.	13.87	9075	18.71
Total Avg.							16.80	11004	23.52

Graphic Presentation, Comparison ICE Futures to M/M(P) ICS-105 29mm



UPCOUNTRY SPOT RATES								(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length As per CAI By- laws								Spot Rate (Upcountry) 2023-24 Crop July 2024					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	22nd	23rd	24th	25th	26th	27th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	14369 (51100)	14369 (51100)	14229 (50600)	14088 (50100)	14088 (50100)	13919 (49500)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	14538 (51700)	14538 (51700)	14397 (51200)	14257 (50700)	14257 (50700)	14088 (50100)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	11501 (40900)	11501 (40900)	11417 (40600)	11304 (40200)	11248 (40000)	11248 (40000)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	12738 (45300)	12738 (45300)	12654 (45000)	12541 (44600)	12485 (44400)	12485 (44400)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	15185 (54000)	15185 (54000)	15100 (53700)	14988 (53300)	14932 (53100)	14932 (53100)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	15663 (55700)	15578 (55400)	15438 (54900)	15297 (54400)	15241 (54200)	15185 (54000)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	15803 (56200)	15719 (55900)	15578 (55400)	15438 (54900)	15382 (54700)	15325 (54500)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	14313 (50900)	14313 (50900)	14313 (50900)	14229 (50600)	14172 (50400)	14088 (50100)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	15494 (55100)	15494 (55100)	15438 (54900)	15382 (54700)	15325 (54500)	15241 (54200)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	16000 (56900)	16000 (56900)	15860 (56400)	15719 (55900)	15663 (55700)	15607 (55500)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16000 (56900)	16000 (56900)	15944 (56700)	15888 (56500)	15832 (56300)	15747 (56000)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16113 (57300)	16113 (57300)	16056 (57100)	16000 (56900)	15944 (56700)	15860 (56400)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	16028 (57000)	16028 (57000)	15972 (56800)	15916 (56600)	15860 (56400)	15775 (56100)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	16281 (57900)	16281 (57900)	16225 (57700)	16169 (57500)	16113 (57300)	16028 (57000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16394 (58300)	16394 (58300)	16338 (58100)	16281 (57900)	16225 (57700)	16141 (57400)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16281 (57900)	16281 (57900)	16225 (57700)	16169 (57500)	16113 (57300)	16028 (57000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16647 (59200)	16647 (59200)	16591 (59000)	16535 (58800)	16478 (58600)	16394 (58300)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16703 (59400)	16703 (59400)	16647 (59200)	16591 (59000)	16535 (58800)	16450 (58500)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	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.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	23199 (82500)	23199 (82500)	23199 (82500)	23199 (82500)	23199 (82500)	23199 (82500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	23761 (84500)	23761 (84500)	23761 (84500)	23761 (84500)	23761 (84500)	23761 (84500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	23621 (84000)	23621 (84000)	23621 (84000)	23621 (84000)	23621 (84000)	23621 (84000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	24324 (86500)	24324 (86500)	24324 (86500)	24324 (86500)	24324 (86500)	24324 (86500)

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