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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures for the Period 6th August 2024 to 3rd September 2024

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 cotton prices edged lower amid weak arrivals, poor demand and dented global sentiment. Festival demand from the local market is also expected to improve. Given the slack demand, CCI which has stocks of close to 20 lakh bales procured as part of MSP, cut its sales price by Rs. 1,800 per candy. Lack of parity continues to be a big deterrent for demand as the domestic prices are costlier by Rs.5,000 or more, making it hard to compete globally.

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.

- Meanwhile, several apparel brands rely heavily on Bangladesh for their garment supplies. However, due to the recent unrest in the country, garment exports have been delayed, leading to massive demurrage charges, which represent a loss for the exporters. The internet blackout has also impacted the tracing of garment production. In addition to the domestic social unrest, the Red Sea crisis, compounded by the ripple effect of the cost-of-living crisis in the European Union (EU), has led to a reduction in apparel exports and an

overall decline in exports by 19 per cent. With the current uncertainty, there is a high likelihood that exports may fall further from current levels. There are numerous examples in Africa, Afghanistan and Pakistan where military rule has caused significant economic losses and imposed unwanted regulations, which restrict economic growth and expansion.

- Cotton yarn prices remained steady amid slow buying. The violence in Bangladesh and subsequent developments in Dhaka have worried the domestic textile market. Bangladesh is the most prominent market for Indian fabric and yarn exports, and it is likely to remain paralysed in the coming weeks until normalcy returns in the neighbouring country.

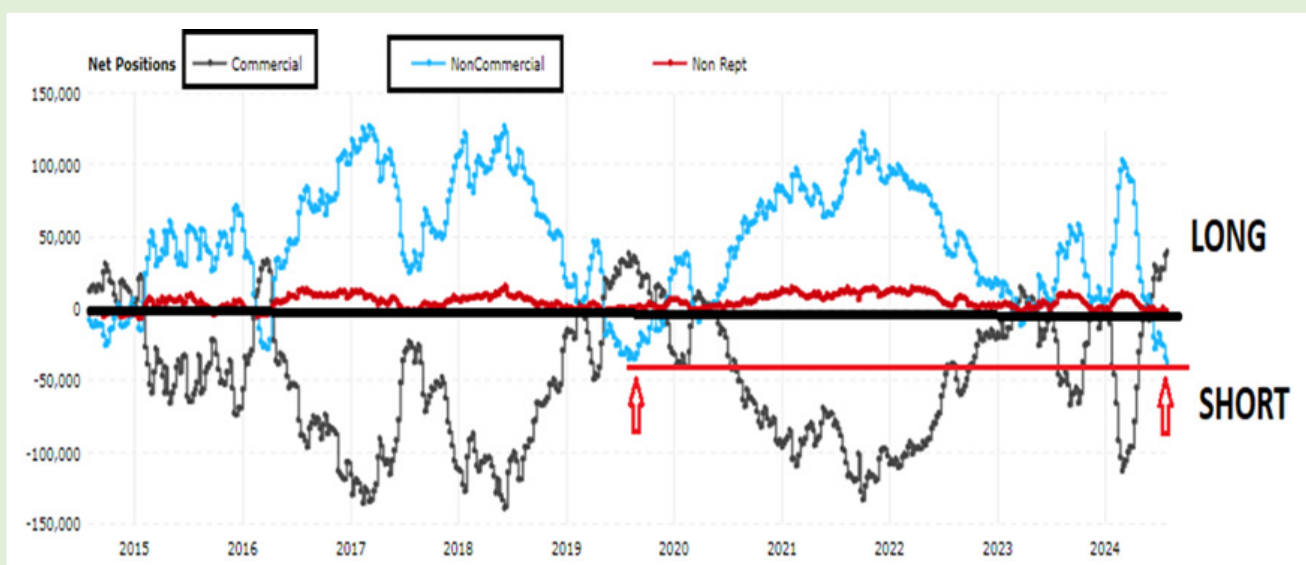
International Markets

- ICE cotton futures extended their losses from the previous session on Tuesday, pressured by falling oil prices and weaker grain markets, while demand concerns further weighed on the natural fiber amid promising production outlook. Cotton price dipped to their lowest level in nearly four years on Monday. Oil prices dipped lower in volatile trade on Tuesday, as a weak demand outlook after a global sell-off in markets on Monday countered price support from fears of an escalation in the Middle East conflict, and a drop in Libyan production. Lower oil prices make cotton-substitute polyester less expensive.

- Hurricane Debby isn't impacting cotton and the production looks promising due to good growing conditions. Prices might remain stable or drop, with an attempt to maintain above 67 cents and if it fails, it could drop to 65 cents. In a weekly crop progress report on Monday, the U.S. Department of Agriculture (USDA) said 45% of the cotton crop was in good-to-excellent condition, compared with 49% a week ago.

- The U.S. Department of Agriculture (USDA) last Thursday, showed export sales of 129,900 running bales, down 1% from the previous week and 11% lower from the prior 4-week average. In the U.S., the USDA expects the crop volume to be significantly larger this year - more than 1 million tons higher than the previous year. Demand is a growing concern, as if it were not deathly weak already. Looking for December to continue its challenge of 65 cents, with 70-71 cents being a difficult area to penetrate just now but possible after the USDA August world supply demand report. However, if the war in the Middle East intensifies, a move to 62-63 cents cannot be ruled out. With riots in UK, demand is further expected to be dented.

- Cotton speculators increased their net short position by 1,174 contracts to 52,415 in the week to July 30. Also, funds are record short in ICE presently and any minor signs of positive news could ignite a bullish rally, but difficult to say if it can sustain going forward. The last time they had a similar position was in Aug 2019.



Source: CFTC

Shankar 6 Guj ICS Price Trend

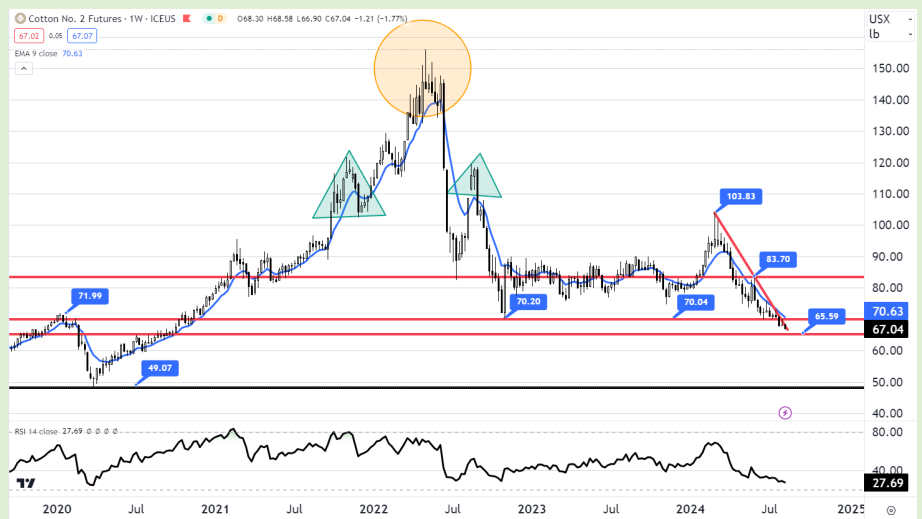
As expected, strong resistance was seen around 16,000-500 levels. As mentioned earlier, indicators are showing overbought conditions warning a possible pullback lower in the coming sessions. Any upticks could be short-lived and further falls to 15,000 expected in the coming weeks. Only an unexpected rise above 16,500 levels could cause some doubts on this bearish view.

MCX Cotton Candy Sept: It needs to climb above a sensitive resistance line at 58250 to turn more bullish for reaching the actual target area near 60,000 again. While holding above 56,000 the chances for a rise past that resistance at 58250 can be anticipated. Unexpected fall below 56,000 may hint at the possibility of weakening a bit towards the next important support line at 55,450. Poor volumes in MCX indicate no confidence in the price discovery process.



ICE Dec 24 Cotton Futures

As mentioned in the earlier update, most likely prices are going to inch lower towards 65c where strong buying could kick in again. As cautioned in the previous update, any upticks are short-lived indicating an eventual break below the key 70c support. This will become a strong resistance going forward. Resistance is at 71-73c zone. While below 73.20/73.00 area it is more likely to test this supports at 65c followed by 62c. Only, a close above 75.50c will be a bullish sign, hinting at a possible reversal. Unexpected dip below 65c would warn about the possibility of weakening further to 62 or even lower to 58c.



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. A good opportunity to protect the inventory value of purchases, is now to Buy PUT options (Out of the money) around peaks at 88-90c in ICE futures. This will help in mitigating any expectations of further declines. However, if the market does rise, it is only the premium for PUT's that has to be borne which is very meagre.

A container of yarn roughly uses 150 bales of raw material cotton. That much of raw material price risk is what one is exposed to till the yarn is sold. The OPTION Is ICE futures, USA helps in inventory management. MCX Candy contracts recently launched should be a good testing ground for mills and exporters desirous of hedging their price risk in ICE futures and options.

CONCLUSION:

As cautioned previously, prices could pull back towards 60,000 levels again and fizzle out. Demand picture remains unclear, but domestic prices are well supported by poor arrivals and higher MSP. Strong resistance is presently noticed in the 58,500 zone per candy levels presently and may find it tough to cross that in the near-term. Any bright spots appearing on the back of cut in

interest rates, weather concerns, change in global geo-political situation and global macroeconomic, sentiment are not likely to last long due to growth worries.

Important support in ICE is at \$65c range followed by \$62c on the downside. Prices could find a lot of buying interest again at the lower end. We expect prices to break 70c with a chance of even extending to 65c with no clear signs any bottom there. The international price indicates that a bearish H&S pattern has materialised. Also, the on-call sales in December month continues to fuel expectations of a sharp fall post July that could see mills holding high priced and unhedged inventories.

For Shankar 6 Guj ICS supports are seen at 56,000 per candy and for ICE Jul cotton futures at \$63-65c now. The domestic technical picture looks neutral, but any upticks could find strong selling interest. Therefore, we can expect international prices to trend lower with chances of pullbacks and retracements higher from time to time that could seem like a bottom, but unfortunately the bottom could be very far away.

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

USDINR Monthly Report: August 2024

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

USDINR is expected to trade within the range of 83.25-84.25 for August 2024. Despite the steady dollar index, fall in oil prices and dovish tone by the Federal Reserve we may see the gradual upside in the pair with dollar buying witnessed by FPI as well as oil companies and as RBI also shifting the range on upside. However, any intervention from the RBI, inflows from corporates and positive sentiments in the domestic market may cap gains. Key support lies at 83.50 below which doors will be open for 83.25. While we may see

USDINR moving towards 84+ levels once sustained above 83.80.

Key Triggers

FOMC Policy: Fed kept interest rates unchanged at 5.50% in July 2024, while the statement from the Fed Powell hints the first rate cut in the September meeting as they see further progress in inflation. US dollar is expected to drop amid dovish stance by Fed.

Brent Oil: Markets looks bearish at this moment despite the widening conflict in the Middle East, as the focus still remain on the slowing demand from China. The OPEC is all set to meet on 1st August meeting and they are unlikely to make any changes to its current deal to cut production and to start unwinding some cuts from October, despite recent sharp declines in oil prices.

FII Flows: Foreign Portfolio Investors continued to show strong buying interest in Indian market amid strong economic and earnings growth. But with GOI's announcement of rise in capital gains coupled with no benefit of Indexation and with RBI restricting FPI to buy longer tenure bonds may limit flows.

RBI Policy: RBI next monetary policy meeting is scheduled from 6-8th August 2024 and they are expected to maintain status-quo on the repo rate. The inflation is in the comfort level of 2-6% but still above 4% target. Also, vegetable inflation is still very high thus not allowing RBI to cut rates at the current juncture.

India's Trade Deficit: India's Trade deficit narrowed to \$21 bn and is expected to come further down at \$15-18 bn as trade deficit with China is narrowing and moderate oil prices will help narrow down the deficit. Despite global headwinds India's export is showing a positive growth.

FX Reserve: RBI's FX reserves are at record high as they have been aggressively buying \$ and Gold by absorbing all the in-flows. The reserves stand at \$ 670 billion and is expected bulge further to reach \$700 bn in the near future.

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5th SEA -AICOSCA Cottonseed, Oil and Meal Conclave 2024 in Ahmedabad on 12th -13th July, 2024

With the theme Harvesting Sustainability: Nurturing Growth in Cottonseed, Oil & Meal, the conclave had as its Chief Guest Shri. Jagdishbhai Ishwarbhai Panchal, Hon. Minister Cottage Industries, Co-Operation, Salt Industries, Protocol (Independent Charge), Industries, Road and Building, Forest, Environment And Climate Change, Printing And Stationery (State Minister), Government of Gujarat.

Shri. Pasha Patel, Chairman, Commission for Agricultural Costs & Prices, Gov. of Maharashtra and Shri. Rishi Kant, Joint Director, Director, Oilseeds and ES&E Division, D/o Agriculture & Farmers Welfare, Govt. of India were the Guests of Honour.

After the welcome address by Shri. Ajay Jhunjhunwala, President, SEA and Shri. Sandeep Bajoria, Chairman, AICOSCA, a number of panel discussions took place across the two days on topics that included Cotton Ecosystem, Cottonseed and its By Products, Marketing, Branding & Role of Packaging, Sustainability in Cotton & Cottonseed Supply Chain, Price Outlook for Cottonseed, Cottonseed Oil & Cotton Cake as well as a Special Presentations on New Technology.

Shri. Nilesh Patel (N.K. Proteins) Innovation Awards for Cottonseed & Cottonseed Oil Supply Chain were presented in Research Scholars Category and Students Category.

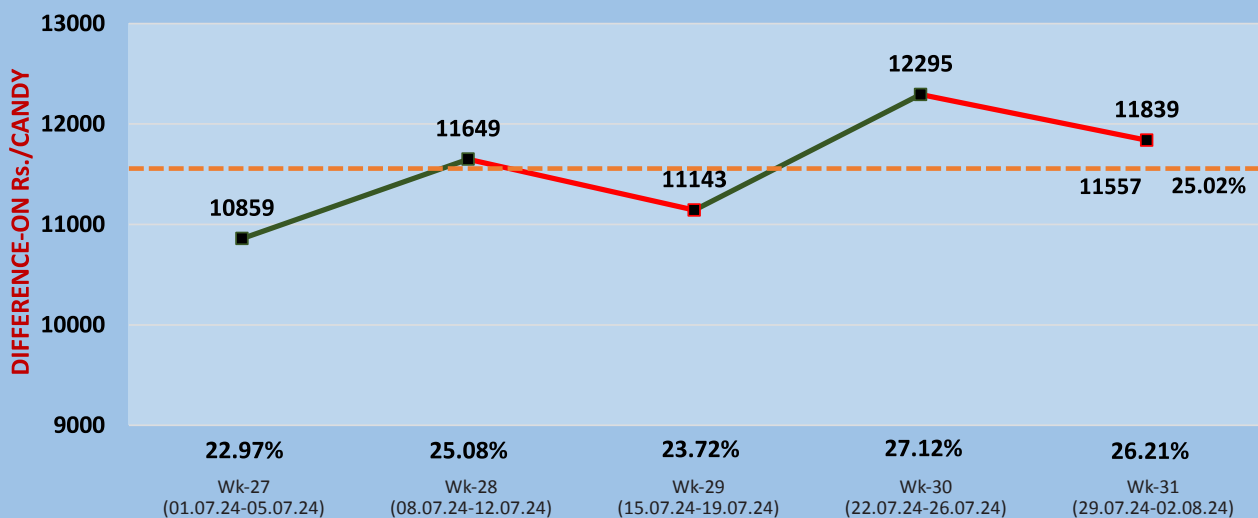


Comparison of ICE-Futures and ICS-105 3rd August 2024

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-31									
29 July	56800	Dec. '24	69.21	83.73	656.44	86.53	17.32	11370	25.03
30 July	57000	Dec. '24	69.55	83.75	656.60	86.81	17.26	11333	24.82
31 July	57100	Dec. '24	68.99	83.74	656.52	86.97	17.98	11804	26.06
01 Aug	57100	Dec. '24	68.08	83.72	656.36	86.99	18.91	12412	27.78
02 Aug	57100	Dec. '24	68.25	83.77	656.76	86.94	18.69	12275	27.38
Wk-31 (29.07.24-02.08.24)						Avg.	18.03	11839	26.21
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
Total Avg.							17.63	11557	25.02

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 - August 2024					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	29th	30th	31st	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	13835 (49200)	13835 (49200)	13835 (49200)	13835 (49200)	13835 (49200)	13835 (49200)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	14004 (49800)	14004 (49800)	14004 (49800)	14004 (49800)	14004 (49800)	14004 (49800)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	11164 (39700)	11164 (39700)	11192 (39800)	11248 (40000)	11248 (40000)	11248 (40000)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	12401 (44100)	12401 (44100)	12401 (44100)	12401 (44100)	12401 (44100)	12401 (44100)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)	14847 (52800)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	15129 (53800)	15129 (53800)	15129 (53800)	15129 (53800)	15072 (53600)	15072 (53600)
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	15269 (54300)	15269 (54300)	15269 (54300)	15269 (54300)	15213 (54100)	15213 (54100)
9	M/M(P)/ SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	14088 (50100)	14088 (50100)	14032 (49900)	14032 (49900)	14032 (49900)	14032 (49900)
10	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	15241 (54200)	15241 (54200)	15269 (54300)	15269 (54300)	15269 (54300)	15269 (54300)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	15607 (55500)	15607 (55500)	15607 (55500)	15607 (55500)	15550 (55300)	15550 (55300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15691 (55800)	15691 (55800)	15719 (55900)	15719 (55900)	15719 (55900)	15719 (55900)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15803 (56200)	15747 (56000)	15775 (56100)	15775 (56100)	15775 (56100)	15775 (56100)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	15719 (55900)	15775 (56100)	15803 (56200)	15803 (56200)	15803 (56200)	15803 (56200)
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	15972 (56800)	16028 (57000)	16056 (57100)	16056 (57100)	16056 (57100)	16056 (57100)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16085 (57200)	16141 (57400)	16169 (57500)	16169 (57500)	16169 (57500)	16169 (57500)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15972 (56800)	16028 (57000)	16056 (57100)	16056 (57100)	16056 (57100)	16056 (57100)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16338 (58100)	16338 (58100)	16338 (58100)	16338 (58100)	16338 (58100)	16338 (58100)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16394 (58300)	16394 (58300)	16394 (58300)	16394 (58300)	16394 (58300)	16394 (58300)
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)	23480 (83500)	23480 (83500)	23480 (83500)	23480 (83500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	23761 (84500)	23761 (84500)	23902 (85000)	23902 (85000)	23902 (85000)	23902 (85000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	23621 (84000)	23621 (84000)	23902 (85000)	23902 (85000)	23902 (85000)	23902 (85000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	24324 (86500)	24324 (86500)	24464 (87000)	24464 (87000)	24464 (87000)	24464 (87000)

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