

Weekly Publication of



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Association  
of India

# COTTON STATISTICS & NEWS

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Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033  
Telephone: 8657442944/45/46/47/48 Email: cai@caionline.in  
www.caionline.in

## Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures  
for the Period 3rd September to 7th October 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 inched higher as more news trickled on the crop damage. CCI sales to mills and traders were around 78200 bales. Cotton purchases from CCI continue to be strong in the back of concerns over possible crop losses on account of heavy rains in Telangana and parts of cotton growing regions in Gujarat. Other

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

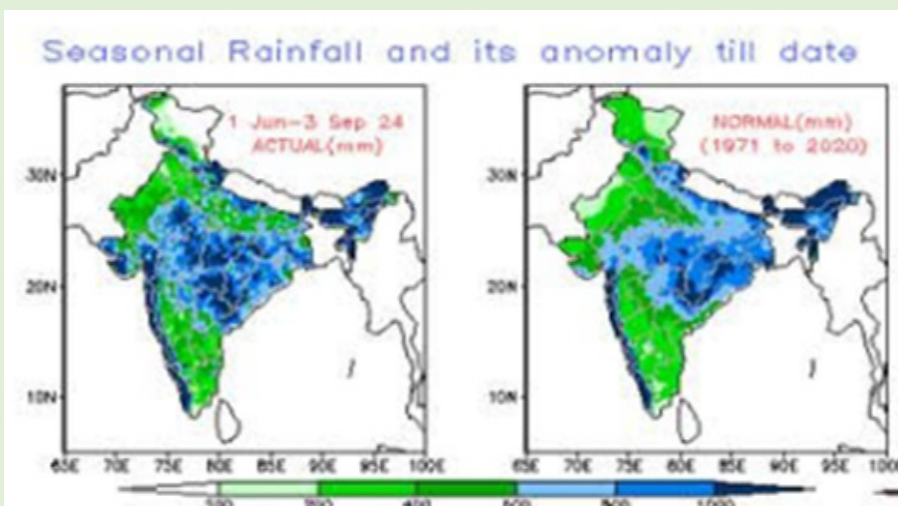
He is a consultant and advisory board member for leading corporates and commodity exchanges in India and overseas. He is regularly invited by television channels including CNBC and ET NOW and Newswires like Reuters and Bloomberg, to opine on the commodity and forex markets. He has conducted training 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.

than that, lower sowing overall is likely to reduce the 2024-25 production.

- There are different opinions on the crop loss on account of very heavy rains last week over Gujarat. Saurashtra is the key cotton growing area in the largest producer state in the country. Gujarat received heavy rain over most parts and

a few of Saurashtra as well. However, it would be prudent to wait and watch how the crop progresses and not draw immediate inference about the possible crop damage.

- The cotton yarn prices remained steady after last week's gains. Buying interest in the Mumbai and Tirupur markets declined following the recent price increase. Most spinning mills in South India have maintained their rates. Festival demand has so far been benign, and buyers are cautious about new purchases due to a lack of market confidence. However, there is a possibility of reverse demand as buyers may rush to the market for restocking, after clearing their existing inventory.



Source: IMD

### International Markets

- ICE cotton fell on Wednesday after hitting their highest level in over a week in the previous session, as a broader risk-off mood added pressure to the natural fibre along with subdued demand. Oil prices fell in choppy trading after sources from OPEC+ told Reuters the producer group was discussing delaying a planned output increase in October, amid demand concerns and a possible return of Libyan production. Lower oil prices make cotton-substitute polyester less expensive.

- In a weekly crop progress report on Tuesday, the U.S. Department of Agriculture said 44% of the cotton crop was in good-to-excellent condition, compared with 40% a week ago. 37% of US crop was in boll opening stage vs 25% in last week and 30% in last year with the average for this time of the year at 31%.

- Demand is a growing concern, and new data from China raised concerns that economic growth in one of the world's largest oil consumers may not rebound this year, as key factory demand indicators dropped sharply in August. Moreover, the ISM Manufacturing PMI on Tuesday revealed that US factory activity contracted for the fifth consecutive month, and at a slightly faster pace than expected.

### Shankar 6 Guj ICS Price Trend

As expected, strong resistance is presently around 16,000-500 levels. As mentioned earlier, indicators are showing overbought conditions warning of a possible pullback lower in the coming sessions.



Good support is expected in the 15700-800 range and an eventual rise to 17,500 on the cards. Only an unexpected fall below 15,500 levels could cause some doubts on this bullish view.

MCX Cotton Candy Sept: It needs to climb above a sensitive resistance line at 59,900-60,000 to turn more bullish for reaching the actual target area near 61,500 again. While holding above 58,000, the chances for a rise past that resistance at 60,000 looks likely. Any unexpected fall below 57,000 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. Prices bounced from 66c levels strongly. Resistance is at 71-73c zone. While above 67-68c area it is more likely to test further upside at 75-76c in the coming weeks. Only, a close above 75.50c will be a strong bullish reversal sign, hinting at a possible reversal. Any unexpected dip below 68c 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. But we are nearly there and struggling to attract demand. Some supply side issues can drive it past here, but demand picture remains unclear but domestic prices are well supported by poor arrivals and higher MSP. Strong resistance is presently noticed in the 60,000 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-politics situation and global macroeconomic sentiment are not likely to last long due to growth worries.

Important support in ICE is at \$67-68c 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 73c with a chance of even extending to 75-76c on the upside. The international price still indicates that a bearish H&S pattern has materialized. 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 58,000 per candy and for ICE Jul cotton futures at \$67-68c now. The domestic technical picture looks mildly bullish, but any upticks could find strong selling interest. Therefore, we can expect international prices to grind higher with chances of pullbacks and retracements lower attracting mill fixation buying and fund short-covering from time to time, but broader picture still warns of a more downside once this retracement higher ends in the 75-77c zone.

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

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## India Again Extends Implementation of QCO on Cotton for One Year

The Indian government has once again extended the implementation of the Quality Control Order (QCO) on cotton for one year. The Ministry of Textiles issued a notification stating that the QCO will now come into effect from August 27, 2025. The government has implemented QCO on polyester, viscose fibre, and other products, but it has not taken the same tough stand with cotton fibre.

According to the notification issued by the Ministry of Textiles last week, the Cotton Bales (Quality Control) Order 2023 will now take effect from August 27, 2025. It was initially set to come into effect in 2024 and was originally scheduled for 2023.

India's ginning industry is opposed to the stringent norms of the QCO. The industry is unable to meet the quality standards prescribed by the Bureau of Indian Standards (BIS) for moisture, trash and other specifications. The QCO requires heavy investment in modern machinery, but the industry is largely dominated by MSME units. These units operate with basic machinery and face difficulties in modernising their plants.

The Cotton Association of India (CAI) and other industry organisations had requested an extension, believing that implementing the QCO in one go is impractical.

Source: CITI NEWS-LETTER, 22.08.2024

# USDINR Monthly Report: September 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 likely to trade between 83.50-84.50 for September 2024. If we look it from the broader perspective, it clearly seems that slowly and steadily RBI is allowing upside in the pair by absorbing all the domestic market flows. Despite the fall in dollar index and a small range in Brent oil prices, USDINR pair rose to record high levels. But the corporate inflows, appreciation in the Asian currencies, risk on sentiments in the market and RBI protecting the upside may limit the upward in the pair. Key support lies at 83.50 below which doors will be open for 83.25. While we may see USDINR moving towards 84.25-84.50 levels once sustained above 84.0 levels.

### Key Triggers

**FOMC Policy:** Fed is all set to meet on 17-18th September 2024, when it is expected to cut interest rates from 24-year high, but the magnitude of cuts would be data dependent. However, we expect FED to cut by 25 bps of cut in September and total of 50 bps by the year end.

**Chinese Yuan:** Most of the Asian currencies have appreciated this month amidst weakness in dollar index, while the yuan has appreciated to 7.08 on expectations of improved Chinese economy as the government comes up with various stimulus package to support the slowing economy.

**FX Reserve:** Foreign Reserve have hit a life time high at \$ 681.69 bn, while RBI has been selling dollars at 83.97 levels but when it gets opportunity it starts buying dollars at lower levels. In the last week of August, the market

received flows from MSCI, FTSE Rebalancing funds and an aviation company to the extent of \$ 7-8 bn which was all absorbed by RBI and will be reflected in the reserves after two weeks. We expect reserves to further reach to \$700+ bn in near future.

**REER:** In July the overvaluation increased to 107.33 from 106.35 in July-24. RBI keeps a close watch on REER which was 102 in 22-23 and 103 in 23-24 and will try to ensure that REER comes down by keeping Rupee in a depreciated state.

**Brent Oil:** Markets appears cautious due to the escalating turmoil in the Middle East, while demand concerns from China, the world's largest importer of oil will keep prices stable. However increasing conflict from the oil-rich regions, we may see prices moving up. Currently prices are at \$ 77 per barrel.

**FII:** FPIs have been in a sell and buy mode in the last few months with India's good economic performance, GDP growth, and positive outlook may keep foreign investors continue to invest in the Indian market.

**Trade Balance:** The trade deficit increased to \$23.5 bn in July while economist expected it to be at \$21.35 bn. With increase in crude oil imports and central banks buying gold as the taxes for the gold imports have been cut, demand of the gold imports has increased, potentially widening the trade gap.

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

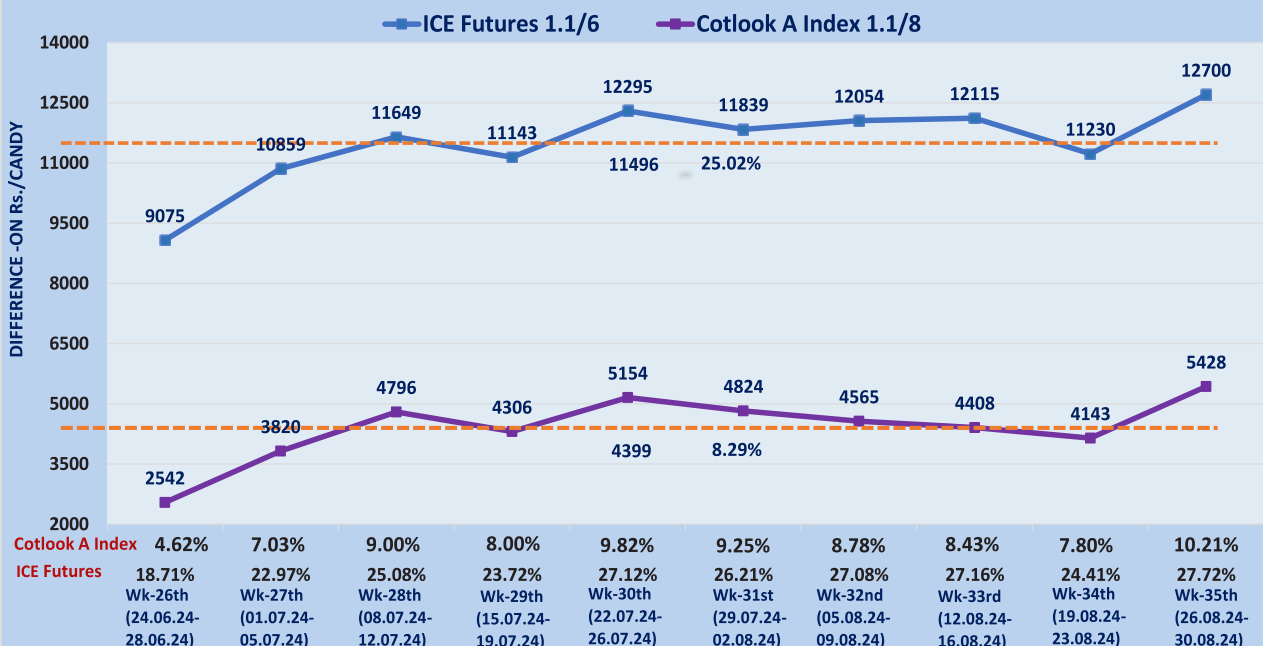
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# Basis Comparison of ICS 105 with ICE Futures and Cotlook A Index -31st August 2024

**SEASON 2023-2024**  
**Comparison M/M(P) ICS-105, Grade Fine, Staple 29mm, Mic. 3.7-4.5, Trash 3.5%, Str./GPT 28**  
**with ICE Futures & Cotlook A Index**

Date 2024	CAI Rates Rs./c.	ICE Settlement Futures 1.1/6 Dec.'24 USc/lb.	Cotlook A Index 1.1/8	1 US \$ = Rs.	Conversion Factor	Indian Ctn in USc/lb.	Difference-ON ICE Futures		%	Difference-ON Cotlook A Index		%		
							USc/lb.	Rs./c		USc/lb.	Rs./c			
							A	B	C	D	E	F	G	H
Week No-35 <sup>th</sup>														
26 Aug	58200	70.26	N.A	83.78	656.84	88.61	18.35	12053	26.12	-	-	-		
27 Aug	Holiday, CAI Cotton Market closed due to Dahi Handi						-	-	-	-	-	-		
28 Aug	58500	68.55	81.45	83.92	657.93	88.91	20.36	13396	29.70	7.46	4908	9.16		
29 Aug	58700	69.92	79.95	83.94	658.09	89.20	19.28	12688	27.57	9.25	6087	11.57		
30 Aug	58700	69.99	81.20	83.90	657.78	89.24	19.25	12662	27.50	8.04	5289	9.90		
Wk-35 <sup>th</sup> (26.08.24-30.08.24)							Avg. of 4 Days.		19.31	12700	27.72	8.25	5428	10.21
Wk-26 <sup>th</sup> (24.06.24-28.06.24)							Weekly Avg.		13.87	9075	18.71	3.88	2542	4.62
Wk-27 <sup>th</sup> (01.07.24-05.07.24)							Avg. of 4 Days.		16.59	10859	22.97	5.84	3820	7.03
Wk-28 <sup>th</sup> (08.07.24-12.07.24)							Weekly Avg.		17.79	11649	25.08	7.32	4796	9.00
Wk-29 <sup>th</sup> (15.07.24-19.07.24)							Weekly Avg.		17.00	11143	23.72	6.57	4306	8.00
Wk-30 <sup>th</sup> (22.07.24-26.07.24)							Weekly Avg.		18.73	12295	27.12	7.85	5154	9.82
Wk-31 <sup>st</sup> (29.07.24-02.08.24)							Weekly Avg.		18.03	11839	26.21	7.35	4824	9.25
Wk-32 <sup>nd</sup> (05.08.24-09.08.24)							Weekly Avg.		18.32	12054	27.08	6.94	4565	8.78
Wk-33 <sup>rd</sup> (12.08.24-16.08.24)							Avg. of 4 Days.		18.41	12115	27.16	6.70	4408	8.43
Wk-34 <sup>th</sup> (19.08.24-23.08.24)							Avg. of 4 Days.		17.08	11230	24.41	6.30	4143	7.80
Wk-35 <sup>th</sup> (26.08.24-30.08.24)							Avg. of 4 Days.		19.31	12700	27.72	8.25	5428	10.21
Total Avg.									17.51	11496	25.02	6.70	4399	8.29

### GRAPHICAL REPRESENTATION







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 August 2024					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	26th	27th	28th	29th	30th	31st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	13666 (48600)		13666 (48600)	13666 (48600)	13807 (49100)	13807 (49100)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	13835 (49200)		13835 (49200)	13835 (49200)	13976 (49700)	13976 (49700)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	11389 (40500)		11501 (40900)	11585 (41200)	11614 (41300)	11782 (41900)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	12401 (44100)	H	12513 (44500)	12598 (44800)	12654 (45000)	12823 (45600)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14791 (52600)		14904 (53000)	14988 (53300)	15100 (53700)	15269 (54300)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	14904 (53000)		14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	N.A. (N.A.)	O	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	15044 (53500)		15044 (53500)	15044 (53500)	15044 (53500)	15044 (53500)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	14060 (50000)		14341 (51000)	14397 (51200)	14482 (51500)	14650 (52100)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	15382 (54700)		15494 (55100)	15550 (55300)	15635 (55600)	15747 (56000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	15382 (54700)	L	15382 (54700)	15382 (54700)	15382 (54700)	15382 (54700)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15888 (56500)		15972 (56800)	16028 (57000)	16028 (57000)	16085 (57200)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15944 (56700)		16028 (57000)	16085 (57200)	16085 (57200)	16141 (57400)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	16028 (57000)	I	16085 (57200)	16085 (57200)	16169 (57500)	16253 (57800)
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.)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	16366 (58200)		16450 (58500)	16506 (58700)	16506 (58700)	16563 (58900)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16422 (58400)		16506 (58700)	16563 (58900)	16563 (58900)	16619 (59100)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16310 (58000)	D	16366 (58200)	16366 (58200)	16450 (58500)	16535 (58800)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16647 (59200)		16731 (59500)	16788 (59700)	16788 (59700)	16844 (59900)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16703 (59400)		16788 (59700)	16844 (59900)	16844 (59900)	16900 (60100)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	N.A. (N.A.)	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.)
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.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	23621 (84000)		23621 (84000)	23621 (84000)	23621 (84000)	23621 (84000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	23761 (84500)	Y	23761 (84500)	23761 (84500)	23761 (84500)	23761 (84500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	24183 (86000)		24183 (86000)	24183 (86000)	24183 (86000)	24183 (86000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	24746 (88000)		24746 (88000)	24746 (88000)	24746 (88000)	24746 (88000)

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