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Technical Analysis

Price Outlook for Gujarat-ICS-105, 29mm and ICE Cotton Futures
for the Period 7th January 2025 to 4th February 2025

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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

EXPERT'S Column



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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.

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.

Domestic Markets

• The domestic cotton prices have shown stability, bolstered by support from Cotton Corporation of India (CCI) purchases amid waning arrivals. As of January 6, cumulative arrivals were reported at 13,100,000 bales, reflecting steady progress.

• CCI's procurement activities, now exceeding 1 lakh bales of new-season cotton, continue to stabilise the market and cushion sharp declines in prices. However, in Andhra Pradesh, full support price is given for cotton with moisture content up to 8%, with reductions for moisture between 9% and 12%, and no purchase

if it exceeds 12%. As a result, farmers are facing difficulties in selling their produce and holding on for better times.

- Cotton yarn prices have stabilised after gains last week. The Mumbai and Tirupur markets witnessed increased demand for cotton yarn as summer garment activities are slowly picking up. Demand for cotton yarn is likely to remain strong in the coming weeks, although price fluctuations will depend on various factors, including the movement of the natural fibre. The recent weakening of the Indian rupee against the US dollar has provided some relief for cotton yarn exports, which have been facing price disparities in the global market.

International Markets

- ICE cotton prices edged mildly lower on lack of follow-through even as weather concerns in major producing regions raised supply worries. Gains were capped by lacklustre speculative interest and limited short-term demand in key export markets. November cotton exports (excluding linters) totalled 658,655 bales, which was up 14.92% from October and 18.07% above last year.

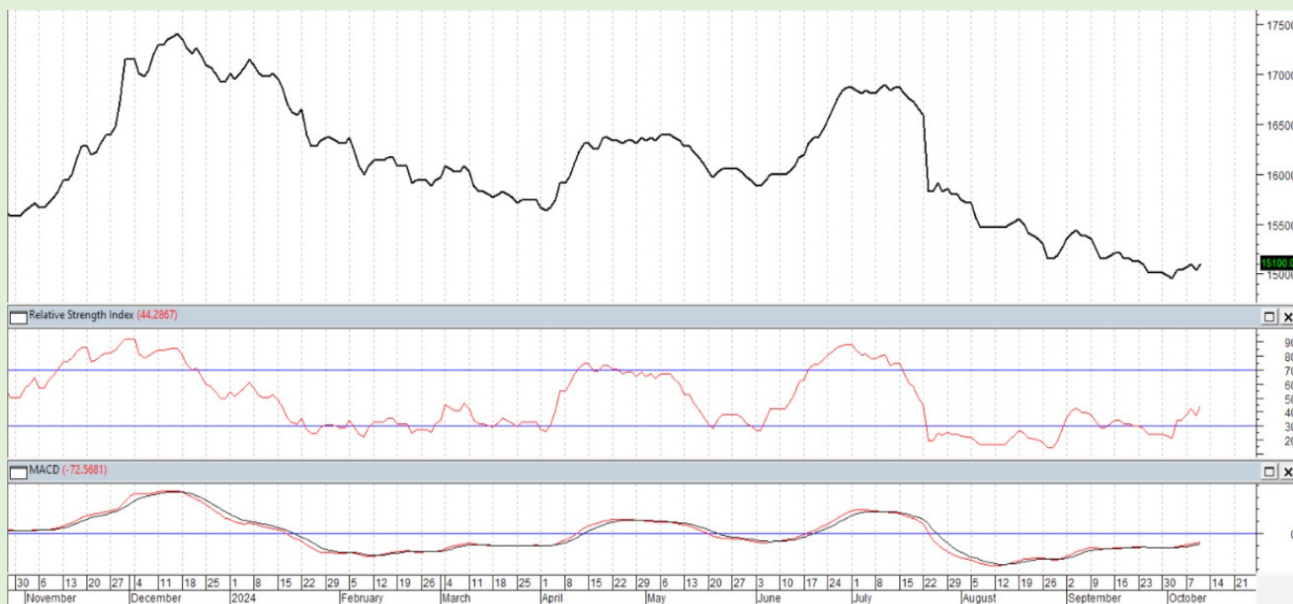
- Crude oil futures rose toward \$75 per barrel on Wednesday, extending gains and approaching three-month highs amid signs of declining US crude inventories. Oil prices recently gained support from tighter global supplies due to escalating Western sanctions on Russia and Iran, driving demand for Middle Eastern oil.

- U.S. cotton growers are projected to plant a total (upland and Pima) of 11.04 million acres in 2025. That’s a decrease of roughly 5.4% from USDA’s final reported 2024 plantings of 11.7 million acres. In many cases, state acreages are predicted to remain flat from the 2024 planted acres. In others, acres are projected to decline by 10-20%.

- Commitment of Traders data showed spec funds adding another 4,162 contracts to their net short position as of 12/31 to 39,682 contracts. Funds have continued to be bearish even though users and industry feels otherwise.

Shankar 6 Guj ICS Price Trend

As mentioned earlier, highly oversold indications hint at a pullback higher. Some good supportive signs are seen in the 14,000-14,500 zone now. Failure to hold here could pressure prices even more pushing it lower to 52,000/candy eventually. However, subsequently, we can expect prices to rise again. For now, price could attempt to recover to 16,000 levels but it could be tough to sustain.



MCX Cotton Candy Jan: Daily chart's median line resistance is at 54970 and the next resistance is the 50-day EMA at 55060. These two are strong resistance levels. The state of trend and momentum in the daily chart is strongly bullish, suggesting that these resistance levels can be taken out, opening the path towards a swing objective in the 55200/55300 range. Rise above 55400 will open the path for a 3rd wave type of rally towards 55850. On the downside, supports are near 54630/54540. Unexpected dip below 54500 will cause doubts about this bullish view.



ICE Mar 24 Cotton Futures



As mentioned in the earlier update, very strong resistance is expected in the 72-73 will cap prices on the upside. The 67c level has held well so far. Only an unexpected dip below 67c would warn about the possibility of weakening further to 62 or even lower to 58c which is not our favoured view. For now, we expect a pullback to 71-73c as a major cap where producer selling can accelerate. We expect a broad range of 66-73c range to play out in the coming month with the possibility of breaking 66c lower too.

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

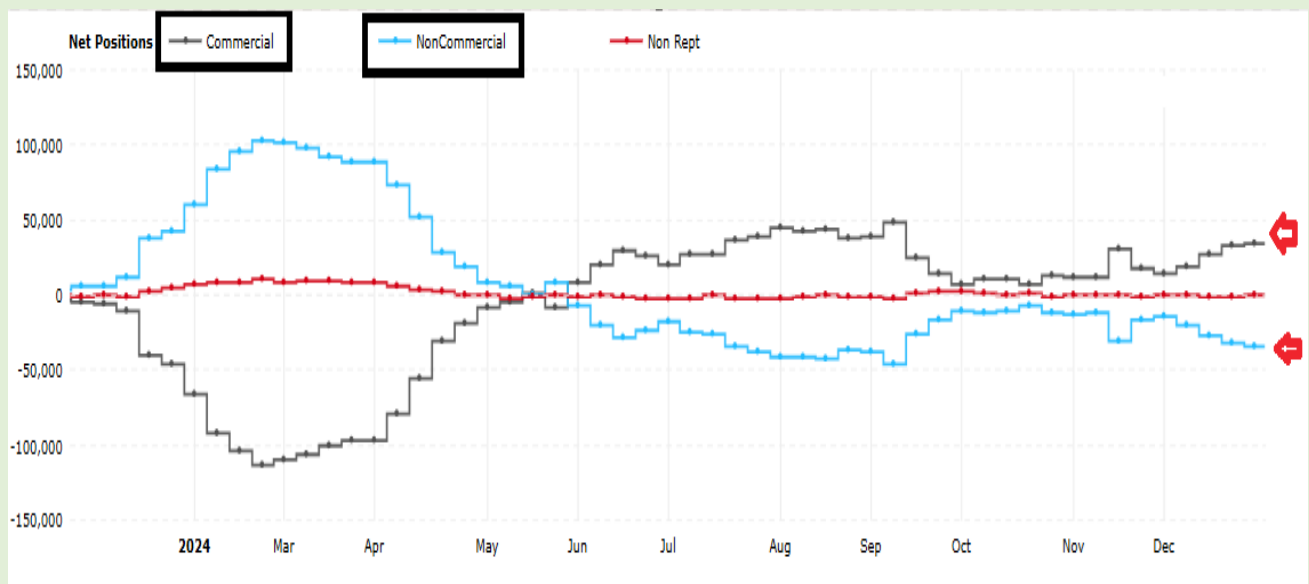
is ideal for the industry, but to take that leap of faith is a humungous task for this industry where raw material price moves make or break the profit margins.

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 75c 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. ICE Call options can also be used to procure cotton at a lower price in ICE compared to the domestic markets that are at a premium.

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.

Important support in ICE is at \$67-68 range followed by \$65-66c on the downside. Prices could find a lot of buying interest again at the lower end. We expect prices to break be capped in the 73-74c range. The international price still indicates that a bearish H&S pattern has materialised.

Also, the US CFTC CoT report as of 31st Dec showed that specs are increasing net short positions again due to uncertainties in demand and tariffs. Funds have been on the selling side largely and users have been bargain hunting at lower levels.



For Shankar 6 Guj ICS supports are seen at 53,000 per candy and for ICE Mar cotton futures at \$65-67c now. The domestic technical picture looks neutral to bearish, but any downside from here could be limited. Therefore, we can expect international prices to grind higher in the near-term with chances of pullbacks and retracements higher, but could find it tough to sustain, but broader picture still warns of a more downside to follow in the coming months due to arrival pressure and poor demand.

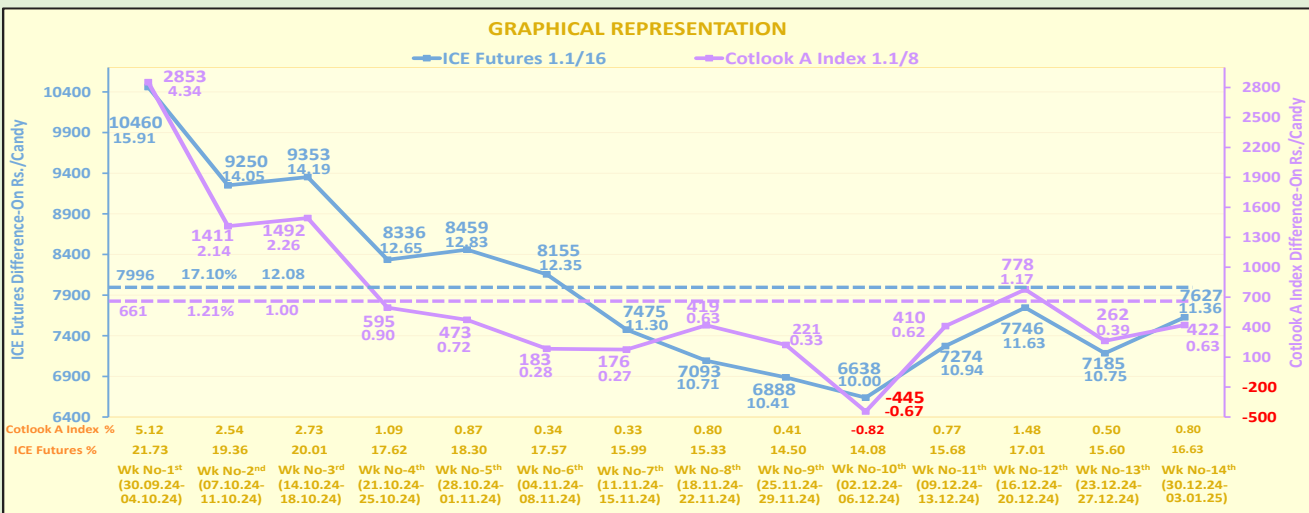
Conclusion

As cautioned previously, prices could find strong resistance in the 56,000-57,000 levels again and fizzle out. Price moved exactly as per our expectations. The peak arrival season is weighing on prices despite the CCI support. Strong resistance is presently noticed in the 56,000-57,000 zone per candy levels presently and may find it tough to cross that in the near-term. More uncertainties are increasing as the Trump tariff era begins and doubts on global macroeconomic recovery return due to growth worries and geo-political situation.

(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 and Cotlook A Index - 4th January 2025

SEASON 2024-2025											
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	1 US \$ = Rs.	CAI Rates Rs./c.	Indian Ctn in USc/lb.	ICE Settlement Futures 1.1/16 Mar.'24 USc/lb.	Difference-ON/OFF ICE Futures		%	Cotlook A Index M-1.1/8	Difference-ON/OFF Cotlook A Index		%
					USc/lb.	Rs./c			USc/lb.	Rs./c	
A	B	C	D	E	F	G	H	I	J	K	L
Cotton Year Week No-14th											
30 th Dec	85.53	53300	79.49	68.48	11.01	7383	16.08	79.40	0.09	60	0.11
31 st Dec	85.61	53500	79.71	68.40	11.31	7591	16.54	78.90	0.81	544	1.03
01 st Jan	85.65	53500	79.67	68.40	11.27	7568	16.48	78.90	0.77	517	0.98
02 nd Jan	85.76	53500	79.57	68.57	11.00	7396	16.04	78.90	0.67	450	0.85
03 rd Jan	85.78	53700	79.85	67.66	12.19	8198	18.02	79.05	0.80	538	1.01
Weekly Avg.	85.67	53500	79.66	68.30	11.36	7627	16.63	79.03	0.63	422	0.80
Cotton Year Week No-13th											
23 rd Dec	85.12	53200	79.72	69.42	10.30	6874	14.84	78.30	1.42	948	1.81
24 th Dec	85.20	53200	79.64	68.78	10.86	7254	15.79	79.60	0.04	27	0.05
25 th Dec	85.20	53200	79.64	68.78	10.86	7254	15.79	79.60	0.04	27	0.05
26 th Dec	85.27	53300	79.73	68.75	10.98	7340	15.97	79.60	0.13	87	0.16
27 th Dec	85.54	53400	79.63	68.89	10.74	7203	15.59	79.30	0.33	221	0.42
Weekly Avg.	85.27	53260	79.67	68.92	10.75	7185	15.60	79.28	0.39	262	0.50
Cotton Year Week No-12th (16th Dec 2024-20th Dec 2024)											
Weekly Avg.	84.96	53280	79.99	68.36	11.63	7746	17.01	78.82	1.17	778	1.48
Cotton Year Week No-11th (9th Dec 2024-13th Dec 2024)											
Weekly Avg.	84.82	53680	80.73	69.79	10.94	7274	15.68	80.11	0.62	410	0.77
Cotton Year Week No-10th (2nd Dec 2024-6th Dec 2024)											
Weekly Avg.	84.71	53820	81.04	71.04	10.00	6638	14.08	81.71	-0.67	-445	-0.82
Cotton Year Week No-09th (25th Nov 2024-29th Nov 2024)											
Weekly Avg.	84.41	54380	82.17	71.77	10.41	6888	14.50	81.84	0.33	221	0.41
Cotton Year Week No-08th (18th Nov 2024-22nd Nov 2024)											
Weekly Avg.	84.44	53400	80.66	69.95	10.71	7093	15.33	80.03	0.63	419	0.80
Cotton Year Week No-07th (11th Nov 2024-15th Nov 2024)											
Weekly Avg.	84.40	54300	82.07	70.77	11.30	7475	15.99	81.80	0.27	176	0.33
Cotton Year Week No-06th (04th Nov 2024-08th Nov 2024)											
Weekly Avg.	84.24	54600	82.67	70.32	12.35	8155	17.57	82.39	0.28	183	0.34
Cotton Year Week No-05th (28th Oct 2024-01st Nov 2024)											
Weekly Avg.	84.08	54680	82.95	70.12	12.83	8459	18.30	82.23	0.72	473	0.87
Cotton Year Week No-04th (21st Oct 2024-25th Oct 2024)											
Weekly Avg.	84.07	55660	84.44	71.80	12.65	8336	17.62	83.54	0.90	595	1.09
Cotton Year Week No-03rd (14th Oct 2024-18th Oct 2024)											
Weekly Avg.	84.06	56100	85.12	70.93	14.19	9353	20.01	82.86	2.26	1492	2.73
Cotton Year Week No-02nd (7th Oct 2024-11th Oct 2024)											
Weekly Avg.	83.98	57040	86.63	72.58	14.05	9250	19.36	84.49	2.14	1411	2.54
Cotton Year Week No-01st (30th Sep 2024-04th Oct 2024)											
Weekly Avg.	83.86	58600	89.13	73.22	15.91	10460	21.73	84.79	4.34	2853	5.12
Total Avg.	84.50	54736	82.64	70.56	12.08	7996	17.10	81.64	1.00	661	1.21



Note:- Weeks taken as per Cotton Year (October To September).
 Values in BLUE Indicates Previous Close Considered due to HOLIDAY's Resp.
 25th Dec 2024 - Domestic & International Futures markets CLOSED due to Christmas Festival.
 1st Jan 2025 - International Futures markets CLOSED due to New Year's Day.

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) 2023-24 Crop December 2024 - January 2025					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	30th	31st	1st	2nd	3rd	4th
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	11726 (41700)	11726 (41700)	11726 (41700)	11782 (41900)	11782 (41900)	11782 (41900)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	12092 (43000)	12092 (43000)	12092 (43000)	12092 (43000)	12092 (43000)	12092 (43000)
10	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	14060 (50000)	14060 (50000)	14088 (50100)	14088 (50100)	14088 (50100)	14088 (50100)
Spot Rate (Upcountry) 2024-25 Crop													
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	14426 (51300)	14426 (51300)	14397 (51200)	14426 (51300)	14426 (51300)	14426 (51300)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	14594 (51900)	14594 (51900)	14566 (51800)	14594 (51900)	14594 (51900)	14594 (51900)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14313 (50900)	14257 (50700)	14257 (50700)	14257 (50700)	14257 (50700)	14257 (50700)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	14679 (52200)	14650 (52100)	14650 (52100)	14650 (52100)	14707 (52300)	14707 (52300)
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	14819 (52700)	14791 (52600)	14791 (52600)	14791 (52600)	14847 (52800)	14847 (52800)
9	M/M(P)/ SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	14932 (53100)	14904 (53000)	14904 (53000)	14904 (53000)	14960 (53200)	14960 (53200)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	14735 (52400)	14791 (52600)	14791 (52600)	14791 (52600)	14847 (52800)	14847 (52800)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	14622 (52000)	14735 (52400)	14735 (52400)	14735 (52400)	14791 (52600)	14791 (52600)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	14735 (52400)	14791 (52600)	14791 (52600)	14819 (52700)	14904 (53000)	14904 (53000)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15016 (53400)	15016 (53400)	15016 (53400)	15016 (53400)	15072 (53600)	15072 (53600)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	14988 (53300)	15044 (53500)	15044 (53500)	15044 (53500)	15100 (53700)	15100 (53700)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	14932 (53100)	14988 (53300)	14988 (53300)	14988 (53300)	15044 (53500)	15044 (53500)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15044 (53500)	15100 (53700)	15100 (53700)	15129 (53800)	15213 (54100)	15213 (54100)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	15157 (53900)	15185 (54000)	15213 (54100)	15213 (54100)	15269 (54300)	15269 (54300)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	15100 (53700)	15185 (54000)	15213 (54100)	15213 (54100)	15269 (54300)	15269 (54300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)	15522 (55200)	15522 (55200)
22	SA/TL/ K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15466 (55000)	15466 (55000)	15466 (55000)	15466 (55000)	15522 (55200)	15522 (55200)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	-	-	-	-	-	-
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	22355 (79500)	21793 (77500)	21231 (75500)	21231 (75500)	21512 (76500)	21512 (76500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	23621 (84000)	23058 (82000)	22777 (81000)	22777 (81000)	22777 (81000)	22777 (81000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	22637 (80500)	22074 (78500)	21512 (76500)	21512 (76500)	21793 (77500)	21793 (77500)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	24183 (86000)	23621 (84000)	23340 (83000)	23340 (83000)	23340 (83000)	23340 (83000)

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