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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 30/01/18 to 28/02/18

(The author is Director of Commtrendz Research and the views expressed in this column are his own and the author is not liable for any loss or damage, including without limitations, any profit or loss which may arise directly or indirectly from the use of following information.)

We will look into the Gujarat-ICS-105, 29mm prices along with other benchmarks and try to forecast price moves going forward.

As mentioned in the previous update, fundamental analysis involves studying and analysing various reports, data and based on that arriving at some possible direction for prices in the coming months or quarters.

Some of the recent fundamental drivers for the domestic cotton prices are:

- Cotton futures declined on MCX due to weak demand from traders and stockists at the spot market. Though expectation of lower production from major growing regions capped some losses in cotton futures. Earlier, prices have risen, due to pest infestation which reduced yields from major producing belts of Maharashtra. This also influenced cotton futures.

- The enhancement of rates for 102 tariff items must come as a relief to all the companies dealing in the mentioned items. However, the textile industry is disappointed with the government for

ignoring the calls of an industry which has been one of the most impacted by GST. The domestic market is getting flooded by imported material.

- Despite an increase in the area sown with cotton, Gujarat may see lower cotton production than estimated for 2017-18, as pink bollworm infestations have affected the crop yield in the state.

- Data from the state agriculture department shows that cotton acreage in Gujarat increased to 26.42 lakh hectares in the kharif season of 2017-18 from 24.04 lakh hectares in the previous season. According to industry estimates, cotton production in the state was earlier estimated to reach 101 lakh bales in 2017-18. However, the infestation may keep the state from achieving that mark now.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures closed higher, snapping four sessions of losses, supported by mill buying. Earlier, investors booked profits after the March futures contract touched an all-time high earlier in the session. Index funds rolled positions from the front month pressuring prices further.

- The U.S. Department of Agriculture, last Friday reported exports of 232,500 running bales

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

for the week ended Jan. 18, which were down 20 percent from the previous week and 12 percent from the prior 4-week average.

- The U.S. Department of Agriculture attache in Bangladesh also provided estimates. For the marketing year 2017/18, raw cotton production is projected at 135,000 bales based upon favourable weather and expansion of American Upland cotton planted area. Imports are projected to rise by 7 million bales due to strong demand in diversified garment products with non-traditional business partners such as China, Japan, Russia and India.

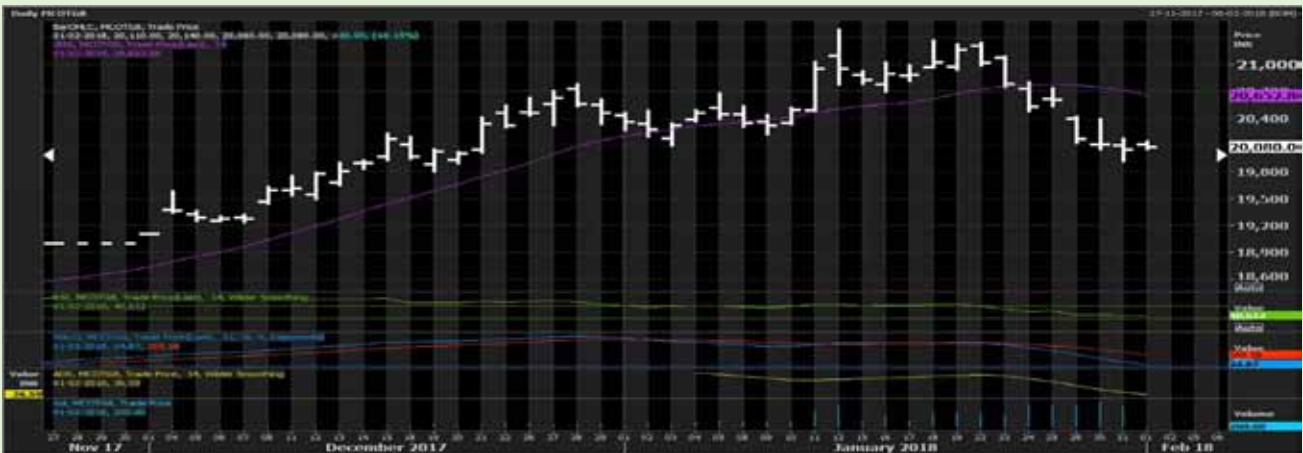
As indicated in the previous update, a good bounce from 10,500 levels has revived bullish hopes once again. It needs to cross 12,100-300 levels to confirm this bullishness. But, there are already positive signs hinting at further bullishness ahead. Only an unexpected fall below 11,000 could change the picture to neutral again. Further upside can be seen in the coming weeks, but strong resistance will be seen around 12,300 on the upside.



As mentioned previously, indicators are still in a neutral state despite the recent upside and prices could remain range bound with a bullish bias. A downward correction is possible, but might not be a major one. But, the earlier bearish trend is seen withdrawing. While 11,000 levels hold on the downside, we can expect prices to gradually edge higher from here.



MCX February Contract Chart



The MCX benchmark February cotton chart indicates a correction from its recent peaks. As expected in the previous update, we saw prices testing 20,800-21,000 levels. Ideally, prices are expected to find support at present levels, failing which they could drift to 19,200-300 levels before stabilising there and moving higher again. Only a fall and close below 19,100 could warn that the market could turn lower again.

We will also look at the ICE Cotton futures charts for a possible direction in international prices.



As mentioned earlier, our favoured view is bullish. We also anticipated that prices could aim for 84-85c at least or even higher to 87c. A good correction to 77c has materialised so far after testing 85c. Ideally, we see the downside from here being limited and prices to inch higher to 80-81c and a close above there could see prices rising in a sustained manner to 87c levels. While 75-76c holds, a close above 78c could open the upside again for 85-87c in the coming sessions.

CONCLUSION:

Both the domestic and international prices corrected lower after testing multi-month highs. The technical picture presently is bullish with chances of even a stronger market ahead. But, prices are nearing crucial supports and only a rise and close above 81c again could revive bullish hopes for the long-term. The international prices indicate some corrective declines in the coming weeks, but the medium-term picture still looks neutral to positive, while the domestic prices also look stable despite near-term weakness.

For Guj ICS supports are seen at 11,300/qtl followed by 10,700 /qtl, and for ICE Mar cotton futures at 75c followed by 73c. The rise above 11,900/qtl has once again revived the bullish picture in the domestic markets. In the international markets prices are indicating a pause before it resumes the uptrend. As we have been maintaining, though international markets could potentially change direction and push higher, but the technical picture is indicating prices to edge higher to 87c on the upside and the domestic prices to edge higher to 12,300-500/qtl levels in the coming weeks. The domestic technical picture has turned friendly as the international one, but it might not be a one-way streak and corrections can be expected from time to time. The present downside correction has been a healthy one and supports a rising trend.

COTAAP Corner

Events for January 2018

Chopda Cotton Farmers Participate in Mumbai Marathon



COTAAP Research Foundation participated in the TATA Mumbai Marathon for the 4th consecutive year on January 21, 2018. COTAAP has been building awareness and funds for the cause of the cotton farmers. While it is well known that India is the largest producer and exporter of cotton in the world, India also have one of the lowest yield of cotton. The reasons for these are myriad like small land holdings by farmers, low awareness as well as low adoption of latest farming technologies, heavy dependence on monsoons and sudden pest attacks and inefficiency in managing the same. All of this adds to instability, uncertainty and variability in income of the farmers. Additionally, they have no industry or social support system and that's where COTAAP comes in.

TATA Mumbai Marathon was a significant medium to build awareness for COTAAP's work but more importantly for the cause of the cotton farmers.

This year COTAAP enrolled 50 participants / runners for the Marathon across three race categories viz, Half Marathon, 10 km. Run and the Dream Run.

Sixteen farmers from Chopda participated in the Dream Run. These farmers were sponsored by

office bearers of the CAI that included CAI President Shri. Atul S. Ganatra, Addl. Vice President Shri. Vinay N. Kotak, Shri. Rishabh J. Shah, Shri. Rishit S. Dholakia and Shri. Raja P. Gokulgandhi. The other 17 runners for the Dream Run including CAI Hon. Treasurer Shri. Shyamsundar M. Makharia, Past President Shri. Nayan C. Mirani, Directors of CAI, their friends and associates and Trustees of COTAAP.

Ten runners successfully completed the Half Marathon and COTAAP Chairman and CAI Past President, Shri. Dhiren N. Sheth, was one of them. This year, a new race category, the 10 km. was introduced, and this elicited a lot of interest and enthusiasm. We had five runners successfully completing this race and one of them, Shri. Pranav Joshi, was timed second best in his age and gender bracket.

The farmers who participated in the Dream Run came in their traditional attire of kurta-dhoti and this generated a lot of interest amongst the onlookers and fellow participants.

The TATA Mumbai Marathon 2018 was a grand success for all the COTAAP runners, with everyone managing good timing for their respective runs.



The brunch hosted by Shri. Dhiren N. Sheth at Bombay Gymkhana, gave the farmers a chance to interact with the other runners. This not only enabled the latter to identify with the cause of the cotton farmers much better, but also to witness the impact of COTAAP on the lives of the farmers.

The enthusiastic runners have not only promised to participate in the Mumbai Marathon, next year again, but more importantly, raise funds for COTAAP. To aid the fund-raising effort, a special film and E-Brochure was created by the COTAAP team and sent on email to all the runners.

Heartened by the support garnered by COTAAP, the farmers too have promised to participate in larger numbers and in longer races like the Half Marathon, next year.

Visit of Dr. Praveen Saptarshi

Dr. Praveen Saptarshi, scientist and UGC Emeritus Professor at the Department of Environmental Sciences, Pune University, visited COTAAP, Chopda, on January 12, 2018. Dr. Saptarshi appreciated the extension work already done and expressed his wish that COTAAP would also work on efficient water management in farming.

Pink Bollworm Research Project

Shri. Kiran Patil and Shri. Kantilal Patil, who are in charge of this project, submitted the third lot of samples to NRC, Aurangabad, on January 5, 2018. The samples are being observed by Entomologist, Dr. N.R. Patange.



Data Compilation of Front Line Demonstrations

Since its inception in 2005, COTAAP Chopda Unit has set an unique pattern of agricultural extension for dissemination of advanced agricultural practices in cotton production. A target-based approach has been used towards addressing the cotton cultivation challenges each year. An effort is being made now to collate this valuable information regarding quantitative as well as qualitative work of COTAAP over so many years.

Production & Stock of Spun Yarn (SSI & Non-SSI)

(In Mn. Kgs.)

MONTH / YEAR	PRODUCTION				STOCK			
	COTTON	BLENDED	100% N.C.	G. TOTAL	COTTON	BLENDED	100% N.C.	G. TOTAL
2007-08	2948.36	677.11	377.75	4003.22	104.81	43.57	20.59	168.97
2008-09	2896.15	654.89	360.95	3911.99	89.04	33.54	15.03	137.61
2009-10	3078.97	707.31	407.15	4193.43	85.56	25.68	11.41	122.65
2010-11	3489.77	796.47	426.38	4712.62	186.43	48.79	18.00	253.22
2011-12	3126.34	789.29	457.08	4372.72	110.87	42.20	20.44	173.51
2012-13	3582.68	828.19	456.75	4867.61	107.92	40.37	21.38	169.67
2013-14	3928.26	896.19	484.99	5309.45	133.80	51.33	23.40	208.53
2014-15	4054.51	920.20	512.92	5487.64	140.60	48.30	22.48	211.38
2015-16	4137.83	972.50	554.79	5664.93	140.68	49.46	22.99	213.13
2016-17 (P)	4060.99	1033.50	572.02	5666.51	147.61	57.99	25.47	231.08
2017-18 (P) (Apr.-Nov.)	2670.61	714.39	370.50	3755.49	159.57	65.38	27.61	252.55
2015-16								
April-15	349.38	77.11	44.07	472.51	141.19	51.45	21.33	213.98
May-15	348.14	80.02	44.74	472.90	153.07	52.34	23.79	229.21
June-15	346.72	79.68	45.27	471.66	158.57	55.72	23.93	238.22
July-15	356.36	82.15	47.48	485.98	160.33	61.25	26.62	248.20
Aug.-15	354.67	82.24	49.97	486.88	166.34	63.73	27.88	257.95
Sept.-15	338.53	79.51	45.41	463.45	165.96	62.33	26.16	254.46
Oct.-15	342.12	83.61	47.35	473.08	170.07	64.46	25.69	260.23
Nov.-15	320.06	77.67	43.27	441.01	173.96	61.59	24.17	259.72
Dec.-15	353.31	81.30	49.86	484.31	158.66	58.22	25.34	242.22
Jan.-16	343.98	83.34	46.84	474.26	158.52	57.55	25.10	241.18
Feb.-16	336.55	80.94	43.12	460.60	155.36	52.18	22.81	230.35
Mar.-16	348.01	83.87	46.35	477.03	140.68	49.46	22.99	213.13
2016-17 (P)								
April-16	334.30	80.55	46.49	461.35	127.63	48.99	24.26	200.88
May-16	360.75	85.95	53.50	500.20	132.43	54.79	26.25	213.47
June-16	352.00	89.10	50.87	491.97	130.99	50.84	21.46	203.30
July-16	343.34	88.21	48.26	479.81	135.93	56.50	23.91	216.34
Aug.-16	334.43	91.29	49.75	475.47	155.65	54.65	22.55	232.85
Sept.-16	326.58	88.40	51.75	466.73	153.30	59.84	24.04	237.19
Oct.-16	310.67	83.67	49.21	443.55	167.46	63.94	28.84	260.23
Nov.-16	326.48	85.28	44.98	456.74	166.74	70.98	32.91	270.63
Dec.-16	342.33	84.16	43.75	470.25	165.62	69.09	28.62	263.32
Jan.-17	345.69	86.11	44.49	476.29	147.10	61.40	26.95	235.44
Feb.-17	330.98	83.40	42.34	456.73	154.12	61.57	26.75	242.44
Mar.-17	353.44	87.37	46.61	487.42	147.61	57.99	25.47	231.08
2017-18 (P)								
April-17	339.75	86.83	46.12	472.71	136.53	58.50	25.40	220.43
May-17	344.97	85.48	46.24	476.69	146.95	58.55	24.76	230.26
June-17	337.96	84.47	48.16	470.59	155.54	50.83	22.25	228.61
July-17	341.83	87.85	44.91	474.59	181.75	61.53	26.72	270.00
Aug.-17	330.68	97.92	46.80	475.40	191.44	61.60	31.95	284.98
Sept.-17	324.91	90.79	46.79	462.49	189.00	65.68	33.56	288.24
Oct.-17	324.97	90.40	45.94	461.31	169.65	66.79	29.39	265.83
Nov.-17	325.54	90.66	45.52	461.72	159.57	65.38	27.61	252.55

P - Provisional

Source : Office of the Textile Commissioner



Since 1921, we are dedicated to the cause of Indian cotton.

Just one of the reasons, you should use our Laboratory Testing Services.

The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- State-of-the-art technology & world-class Premier and MAG cotton testing machines
- HVI test mode with trash% tested gravimetrically

LABORATORY LOCATIONS

Current locations : • **Maharashtra :** Mumbai; Akola; Aurangabad • **Gujarat :** Rajkot; Mundra; Ahmedabad • **Andhra Pradesh :** Guntur, Warangal
• **Madhya Pradesh :** Indore • **Karnataka :** Hubli • **Punjab :** Bathinda
Upcoming locations : • **Telangana:** Adilabad



**COTTON
ASSOCIATION
OF INDIA**

Established 1921

COTTON ASSOCIATION OF INDIA

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UPCOUNTRY SPOT RATES (Rs./Qtl)												
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]							Spot Rate (Upcountry) 2017-18 Crop JANUARY 2018					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	22nd	23rd	24th	25th	26th	27th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11867 (42200)	11867 (42200)	11782 (41900)	11782 (41900)		11557 (41100)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	12035 (42800)	12035 (42800)	11951 (42500)	11951 (42500)	H	11726 (41700)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8689 (30900)	8633 (30700)	8605 (30600)	8605 (30600)		8548 (30400)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9561 (34000)	9561 (34000)	9505 (33800)	9505 (33800)		9448 (33600)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10348 (36800)	10348 (36800)	10320 (36700)	10320 (36700)	O	10236 (36400)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	11501 (40900)	11501 (40900)	11417 (40600)	11417 (40600)		11276 (40100)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	10236 (36400)	10236 (36400)	10179 (36200)	10179 (36200)	L	10039 (35700)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	10657 (37900)	10657 (37900)	10601 (37700)	10601 (37700)		10461 (37200)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	11754 (41800)	11782 (41900)	11670 (41500)	11670 (41500)		11529 (41000)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	10461 (37200)	10461 (37200)	10376 (36900)	10376 (36900)	I	10264 (36500)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10882 (38700)	10882 (38700)	10826 (38500)	10826 (38500)		10714 (38100)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	11923 (42400)	11951 (42500)	11838 (42100)	11838 (42100)	D	11698 (41600)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	11417 (40600)	11417 (40600)	11332 (40300)	11332 (40300)		11192 (39800)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	11642 (41400)	11642 (41400)	11585 (41200)	11585 (41200)		11445 (40700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	11642 (41400)	11642 (41400)	11529 (41000)	11529 (41000)	A	11389 (40500)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	11782 (41900)	11782 (41900)	11754 (41800)	11754 (41800)		11614 (41300)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	11923 (42400)	11923 (42400)	11810 (42000)	11810 (42000)	Y	11670 (41500)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12176 (43300)	12176 (43300)	12092 (43000)	12092 (43000)		11951 (42500)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12401 (44100)	12401 (44100)	12345 (43900)	12345 (43900)		12204 (43400)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	16056 (57100)	16169 (57500)	16169 (57500)	16169 (57500)		15944 (56700)

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