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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures
for the period 05/06/18 to 02/07/18

(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 edged lower on MCX on the back of subdued demand from domestic mills at the spot market. Lower sowing expectation in the coming season from major producing belts continued to underpin prices in cotton futures.

- Cotton Association of India (CAI) has released its April estimate of the cotton crop for the season 2017-18 beginning from 1st October 2017. The CAI has retained its cotton crop estimate for the ongoing crop year 2017-18 at 360 lakh bales of 170 kgs.

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

- The Cotton Association of India has projected total cotton supply upto 30th April 2018 at 347 lakh bales of 170 kgs. each, which consists of the arrivals of 311 lakh bales upto 30th April 2018 and imports which the CAI has estimated at 6 lakh bales upto April end. Further, the CAI has estimated cotton consumption for 7 months i.e. from October 2017 to April 2018 at 189 lakh bales at an average of 27 lakh bales per month, while the shipment of cotton till 30th April 2018 has been estimated at 61 lakh bales. The stock at the end of April 2018 is estimated at 97 lakh bales including 52 lakh bales with textile mills, while the remaining 45 lakh bales are estimated to be held by CCI and others (MNCs, traders, ginners, etc.).

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures fell more than 2 percent on Tuesday to a one-week low, weighed down by an improvement in weather conditions in Texas, the major producing region of the natural fibre in the USA. The December contract has jumped about 15 percent since mid-May till last week and touched an all-time high of 93.73 cents a lb on May 30, supported by concerns of drought-like conditions in West Texas.

- The U.S. Department of Agriculture in its weekly crop progress report released on Monday, showed the 2018 U.S. cotton crop was 76 percent planted for the week ended June 3, matching the five-year average for the week.

- China to issue additional import quota to further ensure a sufficient supply. As reserve stock declines, the relevant department has made initial plans at the beginning of the year to increase cotton import once demand strengthens or severe price movement occurs. Given the current situation, CCA has learnt from the relative department that government will issue additional quota (sliding-scale duty) for textile mills in the near term.



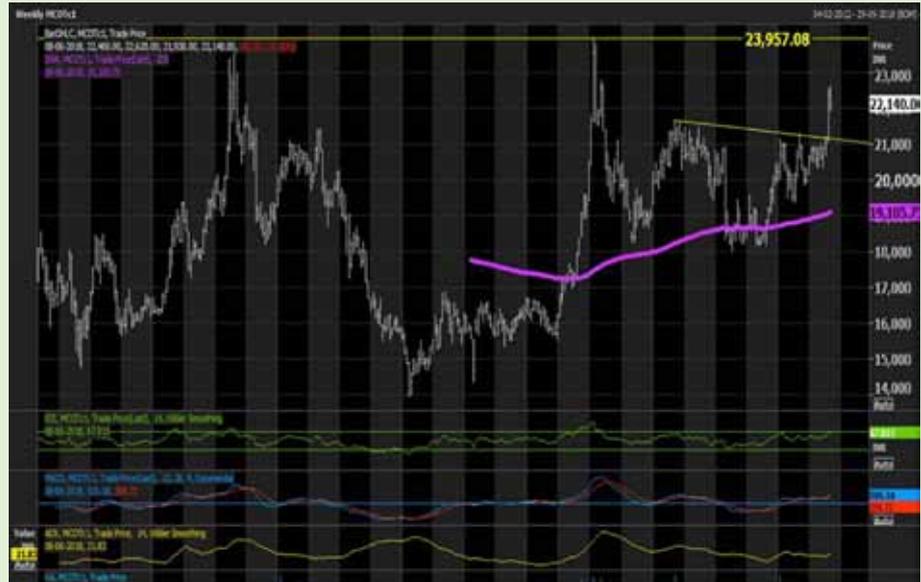
As indicated in the previous update, a good bounce from 10,500 levels has revived bullish hopes. It has now crossed the important resistance at 12,000 zone, confirming bullishness ahead. Positive signs persist, hinting at further bullishness ahead. Only an unexpected fall below 12,000 could change the picture to neutral again. Further upside can be seen in the coming weeks towards 1300-500, but strong resistance will be seen there.



As mentioned previously, as per the indicators, prices could remain range bound with a bullish bias. Mild overbought conditions in the indicators hint at a corrective downward tilt in the coming sessions. Downward corrections are possible, but might not be major ones. While 12,000 levels hold on the downside, we can expect prices to gradually edge higher from here towards 13,000 levels in the coming month.

MCX June Contract Chart

The MCX benchmark June cotton chart behaved exactly as we anticipated. In our previous update, we anticipated a strong rally ahead to 21,800 levels. It has surpassed that and is headed to 23,500 levels now. Strong supports will now be seen at 21,700-800 levels. Near-term resistance is seen at 22,800 levels in the coming sessions. Potential exists for a push higher even to 23,000/500 levels now. Only an unexpected fall below 20,700 could postpone the bullishness.



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

As mentioned earlier, our favoured view is bullish. Prices were expected to edge higher above 87c towards 94-95c where strong resistances kick in. Prices moved exactly as expected. A consolidation is underway presently and 85-87c levels are seen holding supports now in the coming weeks. And while this zone holds up, prices could touch 97-98c on the upside. There is scope for an extension even to \$1.00. Any unexpected fall below 83c could postpone the bullishness.



CONCLUSION:

Both the domestic and international prices are edging back towards the multi-month highs made earlier. The technical picture presently is bullish with chances of even a stronger market ahead. But, prices could be in a broad range before breaking out further higher, and close above 95c. Such a move could again revive bullish hopes for the long-term target of \$110-14. The international prices indicate supports to hold on corrective declines in the coming weeks, but the medium-term picture still looks neutral to positive, while the domestic prices also looks stable.

For Guj ICS supports are seen at 12,000 /qtl followed by 11,700 /qtl, and for ICE Jul cotton futures at 85-87. The rise above 11,900 /qtl has once again revived the bullish picture in the domestic markets, while in the international markets prices are indicating either a profit-taking or a pause before resuming the uptrend. The present resistance has been a strong one and supports a rising trend. As we have been maintaining, the technical picture is indicating prices to edge higher above 87c on the upside and the domestic prices to edge higher to 12,300-500 /qtl levels in the coming month. 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. We favour prices to correct lower, testing support levels mentioned above initially and gradually push higher again in the coming month.

Varun Yagna at CAI

Here are a few glimpses of the Varun Yagna by the Bombay Cotton Merchants' & Mucddams' Association Ltd (BCMMA), held on 31st May, 2018.



Inauguration of Members' Lounge at CAI



A special Members' Lounge was inaugurated by CAI President, Shri. Atul S. Ganatra, on 31st May, 2018. Adjacent to the Board Room in the Association's Cotton Exchange building at Cotton Green, this Members' Lounge is fully air-conditioned and equipped with a television, computer with internet connectivity, printer, email, fax, newspapers, etc. It also has a small meeting room and a dining area for about 12 people. A tea/coffee/soup vending machine has also been provided for the benefit of the members of the Association. This Lounge will be open from 10.00 a.m. to 6.30 p.m. on all working days and it will be available exclusively for the members of the Association and their guests (not for staff).



National Seminar in Hindi organised at ICAR-Central Institute for Research on Cotton Technology in Mumbai

A one-day National seminar in Hindi on “Advanced Processing Technology of Natural Fibres and their Value Added Products” was organised by ICAR-Central Institute for Research on Cotton Technology (CIRCOT), Mumbai in collaboration with Indian Fibre Society (IFS) on 2nd June, 2018.

Dr. P. Alli Rani, Chairman cum Managing

Director of the Cotton Corporation of India, Navi Mumbai, was the chief guest and Shri. Vinay Kotak, Additional Vice-President of Cotton Association of India was the Guest of Honour. Shri Vinay Kotak talked about the need to establish Indian cotton as a brand, while Shri. Pankaj Mepani, Director, CAI, presented a paper on Present Scenario of Cotton. A special issue of CIRCOT’s house magazine Ambar was released on the occasion.



Cotton Yarn Production

(In Mn. kg)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (P)
April	273.77	268.06	268.20	316.61	328.68	349.38	333.84	339.75
May	283.69	255.56	286.19	314.97	332.92	348.14	360.30	344.97
June	284.79	248.29	288.40	317.69	330.69	346.72	351.53	337.96
July	302.16	256.73	301.34	332.12	340.00	356.36	342.87	341.83
August	300.34	262.74	302.85	336.30	338.09	354.67	333.93	330.68
September	297.68	258.97	296.74	326.09	334.03	338.53	326.09	326.03
October	301.55	241.83	302.65	328.79	323.53	342.12	310.24	326.78
November	283.52	243.85	282.88	312.13	335.66	320.06	326.15	351.79
December	308.78	269.82	314.21	341.67	353.96	353.31	341.86	356.79
January	296.87	279.19	315.07	340.38	349.82	343.98	345.24	347.79
February	272.99	269.01	302.59	321.31	330.35	336.55	330.01	326.66
March	283.63	272.29	321.57	340.20	356.78	347.84	352.79	334.22
TOTAL	3489.78	3126.34	3582.68	3928.27	4054.51	4137.64	4054.85	4065.25

P – Provisional

(Source: Office of the Textile Commissioner)

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 MAY - JUNE 2018					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	28th	29th	30th	31st	1st	2nd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11923 (42400)	12063 (42900)	12063 (42900)	12063 (42900)	12092 (43000)	12148 (43200)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	12063 (42900)	12204 (43400)	12204 (43400)	12204 (43400)	12232 (43500)	12288 (43700)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	7592 (27000)	7677 (27300)	7677 (27300)	7817 (27800)	7874 (28000)	7874 (28000)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9280 (33000)	9364 (33300)	9364 (33300)	9448 (33600)	9476 (33700)	9476 (33700)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10151 (36100)	10236 (36400)	10236 (36400)	10292 (36600)	10320 (36700)	10320 (36700)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12092 (43000)	12317 (43800)	12457 (44300)	12260 (43600)	12345 (43900)	12429 (44200)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	8998 (32000)	9139 (32500)	9223 (32800)	9280 (33000)	9336 (33200)	9420 (33500)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	9842 (35000)	9983 (35500)	10067 (35800)	10151 (36100)	10208 (36300)	10264 (36500)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12232 (43500)	12457 (44300)	12598 (44800)	12401 (44100)	12457 (44300)	12541 (44600)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	9448 (33600)	9589 (34100)	9729 (34600)	9842 (35000)	9983 (35500)	9983 (35500)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10236 (36400)	10376 (36900)	10461 (37200)	10545 (37500)	10686 (38000)	10686 (38000)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12288 (43700)	12513 (44500)	12654 (45000)	12457 (44300)	12513 (44500)	12598 (44800)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	11389 (40500)	11473 (40800)	11473 (40800)	11614 (41300)	11754 (41800)	11754 (41800)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	11838 (42100)	11951 (42500)	11951 (42500)	12007 (42700)	12092 (43000)	12176 (43300)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	11951 (42500)	12063 (42900)	12092 (43000)	12232 (43500)	12288 (43700)	12288 (43700)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12176 (43300)	12288 (43700)	12317 (43800)	12373 (44000)	12429 (44200)	12513 (44500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12317 (43800)	12317 (43800)	12373 (44000)	12429 (44200)	12513 (44500)	12513 (44500)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12598 (44800)	12654 (45000)	12654 (45000)	12710 (45200)	12795 (45500)	12795 (45500)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12907 (45900)	12907 (45900)	12907 (45900)	12935 (46000)	13020 (46300)	13020 (46300)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15916 (56600)	16028 (57000)	16028 (57000)	16169 (57500)	16253 (57800)	16253 (57800)

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