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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures
for the period 02/03/2021 to 05/04/2021

(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 are higher in line with international prices. Steep recovery in ICE cotton futures after sell off in last two session of last week has helped MCX March cotton contract to gain by nearly 2%.

- Rise in yarn prices following recovery in textile industry has kept cotton prices on a positive note since last nine straight months. Factors like falling global cotton stocks, vaccine optimism and

attractive Indian cotton prices in world market may support cotton after some more correction.

- Apart from China, good demand is seen for Indian cotton yarn from other countries like Bangladesh, Peru and Brazil too. Pakistan too looks like it may allow cotton imports from India through land route as the prospects of a gradual restoration of bilateral trade ties have brightened after the new ceasefire agreement along the Line of Control (LoC).

- Global cotton prices are seen spiking this marketing season (August 2020-July 2021) in view of production projected at a four-year low, higher imports by China and lower carry forward stocks. According to the Committee on Cotton Production and Consumption (CCPC), a body set up by the Centre and comprising all stakeholders in the industry from farmers to end-users besides government officials, 102.95 lakh bales have been carried over from the last season.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures gained 3% this Monday, bolstered by hopes for stronger demand as the global economy recovers, while a rebound in wider financial markets added to the upbeat mood.

EXPERT'S Column



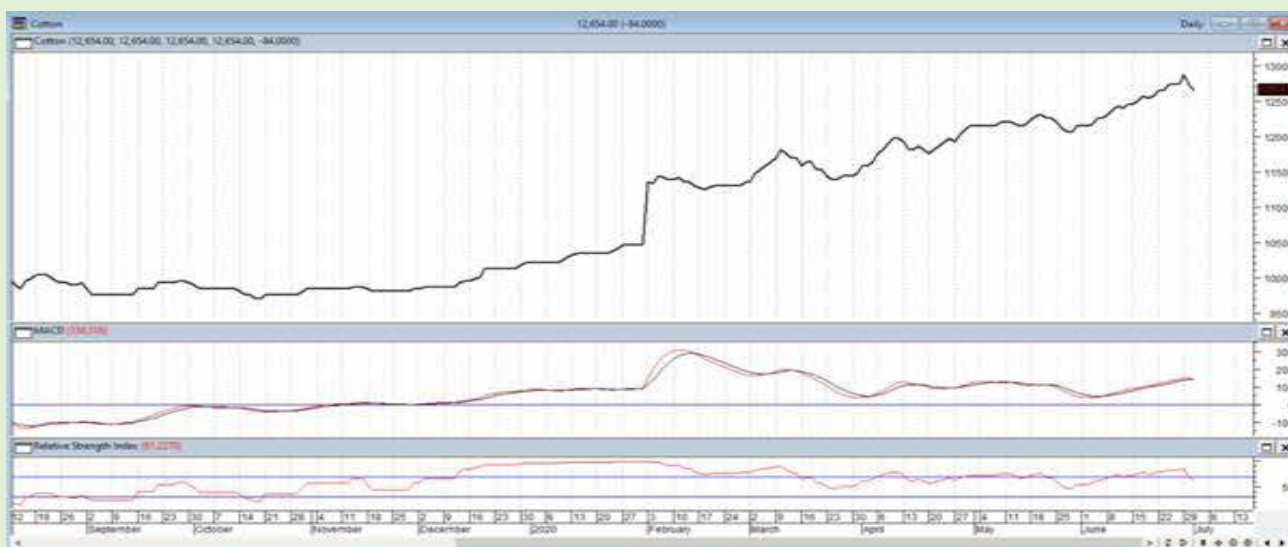
Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

- The ICE cotton futures have sky-rocketed by more than \$15 during the period 1st to 24th February and as we have been expecting, the market booked profit after 11th straight month for gains in natural fibre. However, recovery in broader equity market and other agri commodities have helped cotton to reclaim 91 cents level on Monday.

- Speculators have boosted their already large position in cotton by adding 4,546 contracts in the week to February 23, bringing the total net long contracts to 74,226, data from the US Commodity Futures Trading Commission showed on Friday.

Guj ICS Price Trend

As mentioned in the previous update, we expected prices to head higher towards 13,000 levels in the coming weeks. Exhaustion signs are seen now and we can expect prices to correct lower. Supports are at 12,500 followed by 12000 levels in the coming sessions. We expect the prices to test these supports and edge higher again in the coming month.



MCX Mar Contract Chart

The MCX benchmark Mar cotton edged higher towards 22,545-600 as expected. We expect some correction in the short-term to take it lower to support levels near 21,750, followed by 21,100, which is



Revision in Testing Charges at CAI Laboratories

The following are the charges for cotton testing in the laboratories of the Cotton Association of India with effect from 1st October 2020.

Particulars	Per Sample Testing Fees in Rs.		
	Testing Fees	GST	Total
HVI Test	145	26	171
Micronaire Test	85	15	100
Colour Grade on HVI	85	15	100
Gravimetric Trash Test on HVI	85	15	100
Moisture	85	15	100
Grading (Manual Classing)	235	42	277

VOLUME BASED DISCOUNTS

Particulars	Per Sample Testing Fees in Rs.		
	Testing Fees	GST	Total
For 250 samples and above but less than 500 samples	140	25	165
For 500 samples and above but less than 750 samples	135	24	159
For 750 samples and above but less than 1000 samples	130	23	153
For 1000 samples and above but less than 2000 samples	125	23	148
For 2000 samples and above but less than 5000 samples	120	22	142
For 5000 samples and above but less than 10,000 samples	115	21	136
For 10,000 samples and above	100	18	118

The fees under the above volume based discount scheme is payable within 15 days from the receipt of the invoices to be raised on monthly basis.

We would also like to inform that the parties can avail the benefit of testing of cotton at multiple laboratories of the Associations against the CAI Credits made by them.

We earnestly request you to avail the facility of testing at the Association's laboratories.



Cotton Association of India

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expected to hold and rise higher from there again. A failure to hold support could temporarily dent the bullish picture.

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



As mentioned before, prices are showing extreme bullish tendencies which could lift prices all the way to 90c in the coming weeks with a bright chance of even extending to 94-95c being a long-term resistance where strong resistances could kick in. Prices moved exactly as per expectations. After hitting 95c, there has been a major profit-taking. But support has also been forthcoming in the 87-88c range. While 87c holds, cotton futures could take a shy at 98c or all the way to \$1.00 too, which could end this present rally. Only an unexpected fall below 85c could turn the outlook from neutral to bearish. Such a fall could see a dip to 72-74c subsequently, which is not our favoured view.

Conclusion:

The domestic prices are hinting at exhaustion now while the international prices are still showing a lot of promise on the upside. International cotton futures still continue to display strong bullish tendencies for the time being again with possibilities of a minor corrective dips from time to time. The domestic prices are struggling to maintain the momentum, but still grinding higher gradually after testing support levels, but it might find it tough to rise relative to the international prices. The international price indicates strong positive momentum in the short-term and medium-term still looks bullish. We believe price could get supported around 85-87 range and gradually edge higher to levels mentioned above.

For Guj ICS supports are seen at 12,500-200/qtl followed by 12,000/qtl, and for ICE May cotton futures at 87c followed by 82c. The domestic technical picture looks neutral now, and the international prices are relatively more bullish compared to the domestic prices. We expect domestic prices to edge higher slowly from current levels. Therefore, though we expect more bullishness ahead in international markets, domestic prices might struggle to cope up with it.



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; Yavatmal; Aurangabad; Jalgaon • **Gujarat :** Rajkot; Ahmedabad • **Andhra Pradesh :** Adoni
• **Madhya Pradesh :** Khargone • **Karnataka :** Hubli • **Punjab :** Bathinda • **Telangana:** Warangal, Adilabad



**COTTON
ASSOCIATION
OF INDIA**

Established 1921

ISO 9001:2015

COTTON ASSOCIATION OF INDIA

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(₹/Quintal)

UPCOUNTRY SPOT RATES

February 2021

2019-20 Crop

Growth	Grade Standard	P/H/R	P/H/R (SG)	P/H/R	KAR	M/M(P)	P/H/R (SG)	M/M(P)	M/M(P)/SA/TL	M/M(P)/SA/TL	P/H/R (U)	M/M(P)	SA/TL/K	GUJ	R(L)	M/M(P)	SA/TL/K	GUJ	M/M(P)	SA/TL/K/O	M/M(P)	SA/TL/K/TN/O	M/M(P)	SA/TL/K/TN/O	K/TN
Staple		Below 22 mm	Below 22 mm	22 mm	23 mm	24 mm	27 mm	27 mm	26 mm	27 mm	28 mm	28 mm	28 mm	28 mm	28 mm	29 mm	29 mm	29 mm	29 mm	30 mm	30 mm	31 mm	31 mm	32 mm	34 mm
Micronaire		5.0-7.0	5.0-7.0	4.0-6.0	4.0-5.5	4.0-5.5	3.5-4.9	3.0-3.4	3.0-3.4	3.5-4.9	3.5-4.9	3.5-4.9	3.8-4.2	3.8-4.2	3.7-4.9	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.8-4.2	3.5-4.9	3.0-3.8	
Gravimetric Trash		4%	4.5%	13%	4.5%	4%	4.5%	4%	4%	4%	4%	3.5%	3.5%	3%	3.5%	3.5%	3%	3%	3.5%	3%	3%	3%	3%	3.5%	
Strength/GPT		15	15	20	21	23	26	25	25	26	27	27	27	27	28	28	28	28	29	29	29	30	31	34	
1		-	-	8295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2		-	-	8295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3		-	-	8352	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4		-	-	8380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5		-	-	8436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6		-	-	8436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8		-	-	8436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9		-	-	8492	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10		-	-	8492	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11		-	-	8464	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12		-	-	8492	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13		-	-	8492	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15		-	-	8492	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16		-	-	8520	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17		-	-	8520	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18		-	-	8520	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
19		-	-	8605	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20		-	-	8717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
22		-	-	8998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
23		-	-	9139	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
24		-	-	9223	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
25		-	-	9364	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
26		-	-	9364	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
27		-	-	9364	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
H		0	0	9364	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
L		0	0	8295	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
A		0	0	8662	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

H = Highest L = Lowest A = Average

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) 2019-20 Crop February 2021					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	22nd	23rd	24th	25th	26th	27th
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	8998 (32000)	9139 (32500)	9223 (32800)	9364 (33300)	9364 (33300)	9364 (33300)
								Spot Rate (Upcountry) 2020-21 Crop					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	10911 (38800)	10911 (38800)	10911 (38800)	10911 (38800)	10911 (38800)	10911 (38800)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	11051 (39300)	11051 (39300)	11051 (39300)	11051 (39300)	11051 (39300)	11051 (39300)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	-	-	-	-	-	-
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	9223 (32800)	9364 (33300)	9448 (33600)	9589 (34100)	9589 (34100)	9589 (34100)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	11079 (39400)	11220 (39900)	11304 (40200)	11445 (40700)	11445 (40700)	11445 (40700)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	12345 (43900)	12345 (43900)	12345 (43900)	12485 (44400)	12345 (43900)	12260 (43600)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	9926 (35300)	9926 (35300)	9926 (35300)	10067 (35800)	9926 (35300)	9842 (35000)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	12485 (44400)	12485 (44400)	12485 (44400)	12626 (44900)	12485 (44400)	12401 (44100)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	10432 (37100)	10432 (37100)	10432 (37100)	10573 (37600)	10432 (37100)	10348 (36800)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	11248 (40000)	11248 (40000)	11248 (40000)	11389 (40500)	11248 (40000)	11164 (39700)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	12570 (44700)	12570 (44700)	12570 (44700)	12710 (45200)	12570 (44700)	12485 (44400)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	12345 (43900)	12345 (43900)	12345 (43900)	12485 (44400)	12345 (43900)	12260 (43600)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	12373 (44000)	12373 (44000)	12373 (44000)	12513 (44500)	12373 (44000)	12288 (43700)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	12401 (44100)	12401 (44100)	12401 (44100)	12541 (44600)	12401 (44100)	12317 (43800)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12541 (44600)	12541 (44600)	12541 (44600)	12682 (45100)	12541 (44600)	12457 (44300)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12710 (45200)	12710 (45200)	12710 (45200)	12851 (45700)	12710 (45200)	12626 (44900)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12738 (45300)	12738 (45300)	12738 (45300)	12879 (45800)	12738 (45300)	12654 (45000)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12738 (45300)	12738 (45300)	12738 (45300)	12879 (45800)	12738 (45300)	12654 (45000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	13132 (46700)	13132 (46700)	13132 (46700)	13273 (47200)	13132 (46700)	13048 (46400)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	13160 (46800)	13160 (46800)	13160 (46800)	13301 (47300)	13160 (46800)	13076 (46500)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	13469 (47900)	13469 (47900)	13469 (47900)	13610 (48400)	13469 (47900)	13385 (47600)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	13498 (48000)	13498 (48000)	13498 (48000)	13638 (48500)	13498 (48000)	13413 (47700)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	13638 (48500)	13638 (48500)	13638 (48500)	13779 (49000)	13638 (48500)	13554 (48200)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	18812 (66900)	18812 (66900)	18812 (66900)	19375 (68900)	19375 (68900)	19375 (68900)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	34	19515 (69400)	19515 (69400)	19515 (69400)	20078 (71400)	20078 (71400)	20078 (71400)

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