



FOR PRIVATE CIRCULATION ONLY

23 May 2017

## Cotton Market Analysis

**Cotton Market Action and Strategy:** Cotton price across futures contract at ICE plummeted on Monday. The most active July contract whose 1<sup>st</sup> notice period set to begin on 26<sup>th</sup> of June settled lower at 78.39 cents per pound. Market has come back to its normal state where actual price rise had begun in the previous week. The effect was also seen on the December future but the losses were limited. The December ended the session at 73.01 keeping the July/Dec spread at 5.38 cents.

*We believe market may now continue to remain under stress and for the near term 80 cents would be treated as strong resistance level while price fall could extend towards 77.30 cents per pound. The detailed technical chart analysis is mentioned below in the report.*

In line with the global market Indian cotton price has also declined for both spot and futures price. The spot price for S-6 variety on Monday ended the session lower at Rs. 43,400-43,400 per candy ex-gin. The all India arrivals continue to lower. As of Monday the arrivals were around 45K bales. *The most active May future as mentioned in the table adjacent suggests price declined by Rs. 180 to end the session at Rs. 20,760 per bale. For the day we expect Cotton price may remain under stress and recommend selling on rise. As per technical study the trading range would be Rs. 20850 to Rs. 20460 per bale.*

**Cotton Market Development: Planting Report: US, India and Pakistan:** USDA crop progress report was released which suggests cotton planting increased to 52% in the week ended on May 21st up 33% from the previous week. As per the report, Growers in Arkansas increased planting from 51 percent to 84 percent over the seven-day period. Georgia and Tennessee cotton producers also made good progress. Texas planting activity increased to 42 percent this week, compared with last week's 24 percent. We believe the report may add further possibilities higher estimated production in the US for the year 2017-18 which may add pressure in the ICE cotton futures price.

(India's cotton planting especially in Northern part of the country is in full progress. Sowing has begun on a stronger note in Haryana, Punjab, and Karnataka for the 2017-18 seasons. As per report, a 15% increase in crop area would lift cotton planting in the country to around 29.9 million hectares in the marketing year beginning October 1, which is the highest since 2014-15 year.) *Courtesy: Cotlook Report.*

(Pakistan's overall planting has progressed well under largely favorable conditions and new crop sowing in Sindh and Punjab has continued at a very good pace. Planting has also extended to the late-sowing areas of upper Sindh and southern Punjab. According to some upcountry estimates, around 60/70 percent of the targeted final planted area may have been sown.) *Courtesy: Cotlook Report.*

## Cotton Price Movement

Contract	Open	High	Low	Close	% Change
<b>ICE: Cotton</b> Price Quote USD cents/lbs					
Jul-17	79.50	79.50	78.30	78.39	-1.33%
Dec-17	73.45	73.70	72.82	73.01	-0.60%
<b>ZCE: Cotton</b> Price Quote CNY/MT					
Sep-17	15780	15995	15675	15845	0.00%
Jan-18	15920	16055	15795	15950	-0.03%
<b>MCX: Cotton</b> Price Quote per bales (170 kg)					
May-17	20910	21030	20740	20760	-0.86%
Jun-17	21140	21250	20970	21000	-0.66%

## Cotton Trading Pattern

Contract	Volume	% Change	Agg Vol	Open Int	% Change	Agg OI
<b>ICE: Cotton</b>						
Jul-17	14069.00	-0.33	22531.00	113412.00	-4.65%	253343
Dec-17	7377.00	-0.16	22531.00	119852.00	-0.60%	253343
<b>ZCE: Cotton</b>						
Sep-17	242884	0.30	266180	213650	-1.48%	279424
Jan-18	22088	-0.22	59870	57148	0.16%	281126
<b>MCX: Cotton</b>						
May-17	1682	-1.00	4035	3040	-10.61%	8900
Jun-17	2100	-1.00	4035	4175	0.60%	4035

## Spot Market Performance

	Spot	Current	Previous	Change	Unit
MCX Spot-Rajkot		20520	20540	-20	Rs/Bale
ICS 105 (CAI)		41200	41200	0	Rs/Candy
Total Arrival		45000	47000	-2000	Bales
Cotlook A Index Forward		88.75	89.7	-1	Index
CRB INDEX		186.07	185	1.00	Index

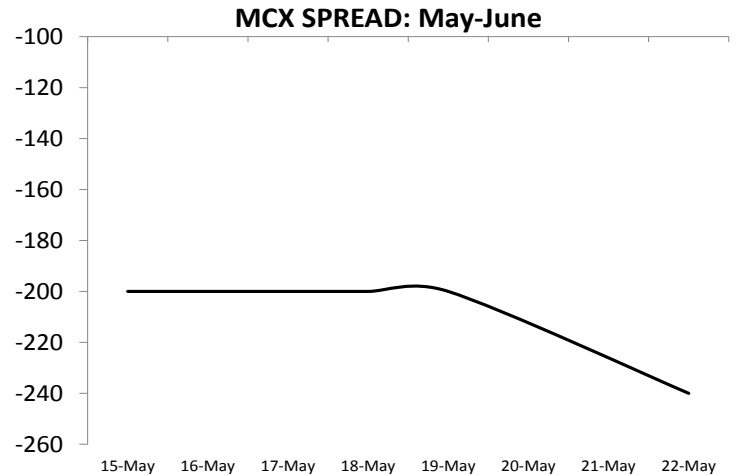
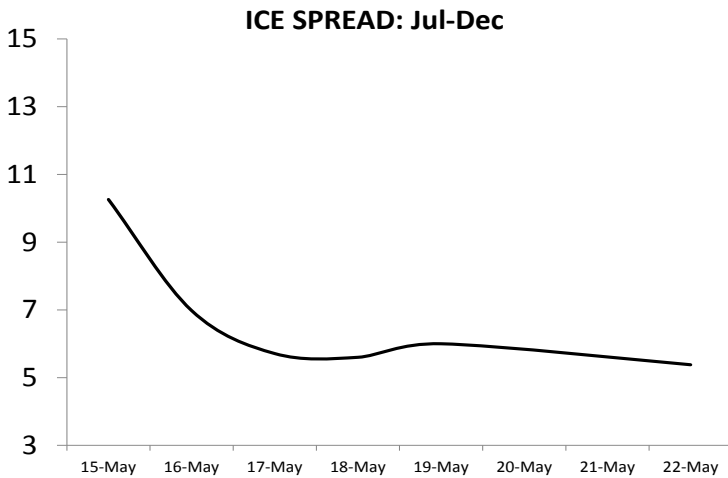
## Other Commodities

Commodity	Current	Previous	%Change	Unit
NYMEX WTI Crude Oil	50.73	50.33	0.79%	Barrel
CBOT Soybean	956.5	956.5	0.00%	Ce/Bu
CBOT Corn	375.0	375.0	0.00%	Ce/Bu

## Currency Movement

Currency	Current	Previous	%Change
USD/INR	64.549	64.638	-0.14%
USD/CNY	6.8864	6.885	0.02%
USD/BRL	3.267	3.253	0.41%
USD INDEX	96.98	97.14	-0.16%

**FX Movement:** Indian rupee depreciated marginally to trade near 64.7 levels against the US dollar. Rupee has weakened amid choppiness in global equity market amid concerns about Trump, geopolitical tensions relating to North Korea and suspected terrorist attack in UK. There are also reports of dollar buying by importers. However, the downside is limited given the optimism about GST and general weakness in US dollar. Rupee may trade in a range of 64.6-64.95 and weakness may persist.



**Technical Analysis: ICE-JULY – Future: Daily Charts: Chart depicts volatility in the market**



**Technical Analysis:** The last week's rally is waned completely. The price which had surged straight from 76 to 87 has eroded and this morning trading near 78 cents. *Technically we call price has normalized and come back to the mean area.* As mentioned above in the chart the regression line and band indicating currently cotton is trading below the mean (regression line) marked in red colored line and approaching to hit 1% SD band and believe the current momentum could bring down the price to 77.33 cents per pound in the term. Also chart suggests 79.30 and 80 are to be considered as strong resistance levels in the near term.



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