



FOR PRIVATE CIRCULATION ONLY

27 July 2017

Cotton Market Analysis

Cotton futures at ICE traded marginally lower on Wednesday to settle the December future at 68.40 cents/lb. This week so far cotton has been quite at the International market however, in the domestic market the scenario is bit dicey.

The spot cotton in India continued to trade steady while lot of volatility and instability in the domestic cotton futures. The near month July future advanced in last two days ahead of expiry as short covering with steady spot market while stocks to be delivered for the said contract is around 30+K bales. In the meanwhile, October future has also moved up with heavy trading volume and managed to close the session on a positive note. The October ended the session at Rs. 18340 up by Rs. 80 from the previous close while had made an intraday high of Rs. 18740 per bale.

This indicates market is very volatile. In fact the spread between July and October has also been volatile as of today it is trading around 2300 rupees per bale. This is one of the highest spread in last few years and likely to maintain instability in the spread ahead of July expiry.

Coming again to Ice platform, trading volume was Volume was 16,367 contracts, the 11th lowest volume in 2017. Cleared yesterday were 13,536 contracts, the 3rd lowest volume in 2017. Six of the 11 lowest sessions have happened since July 12th. Certified stocks dropped to its lowest level since November 2nd. Certified stocks began at 38,616 bales after 3,691 bales in decerts. There were zero bales awaiting review.

This morning ICE cotton is seen trading at 68.52 cents per bale believe it's still holding below 69.25 cents so we expect it to trade in the range of 69 to 67.50 cents in the very near term while the broad range still remains at 66 to 69.25 cents. For the day the trading range would be 68 to 69 cents. At the domestic market the October future may trade in the range of Rs. 18500 to Rs. 18250 per bale.

Cotton Price Movement

Contract	Open	High	Low	Close	% Change
ICE: Cotton Price Quote USD cents/lbs					
Dec-17	68.48	68.97	68.29	68.83	0.79%
Mar-18	68.24	68.67	68.24	68.56	0.75%
ZCE: Cotton Price Quote CNY/MT					
Sep-17	14990	15115	14965	15055	-0.13%
Jan-18	14925	15060	14875	15020	0.60%
MCX: Cotton Price Quote per bales (170 kg)					
Jul-17	20500	20640	20480	20600	0.68%
Oct-17	18160	18290	18160	18260	0.94%

Cotton Trading Pattern

Contract	Volume	% Change	Agg Vol	Open Int	% Change	Agg OI
ICE: Cotton						
Dec-17	9537	0.08	12972	160228	-1.52%	215981
Mar-18	3156	-0.10	12972	37940	-0.09%	215981
ZCE: Cotton						
Sep-17	116114	-0.29	172336	145046	-5.20%	277212
Jan-18	54690	0.02	172336	104860	-2.00%	277212
MCX: Cotton						
Jul-17	1520	0.44	2571	2957	-17.40%	6089
Oct-17	741	-0.19	2571	1934	9.64%	2571

Spot Market Performance

Spot	Current	Previous	Change	Unit
MCX Spot-Rajkot	20300	20290	10	Rs/Bale
ICS 105 (CAI)	40700	40500	200	Rs/Candy
Total Arrival	20000	25000	-5000	Bales
Cotlook A Index Forward	85	84.5	1	Index
CRB INDEX	179.45	178	1.79	Index

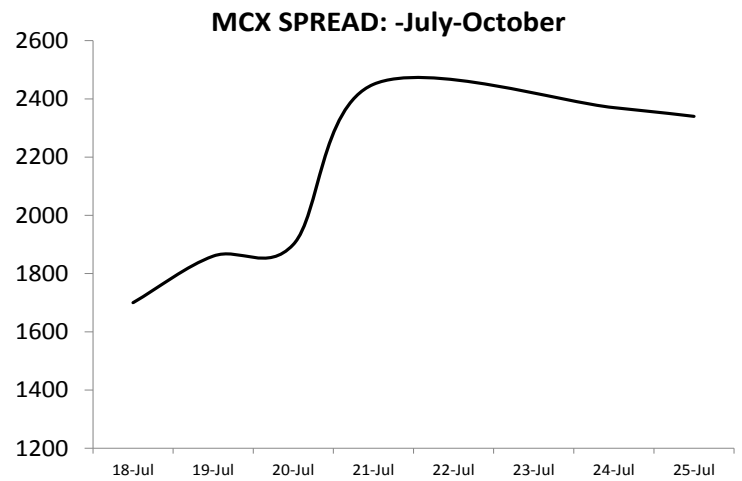
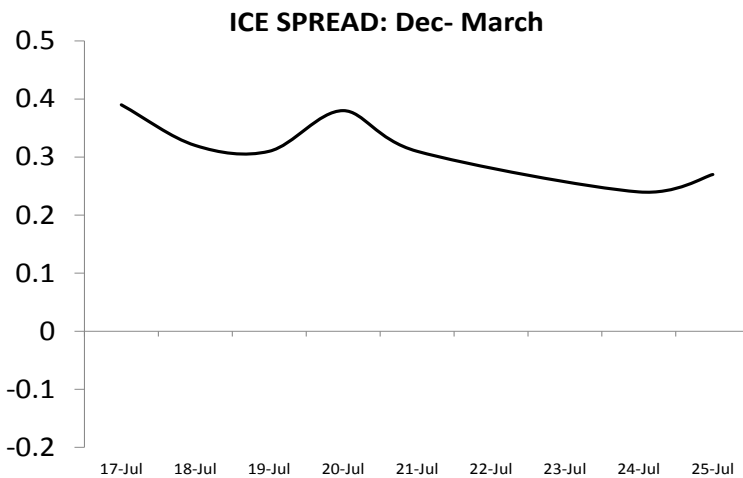
Other Commodities

Commodity	Current	Previous	%Change	Unit
NYMEX WTI Crude Oil	47.89	46.34	3.34%	Barrel
CBOT Soybean	981.5	997.5	-1.60%	Ce/Bu
CBOT Corn	368.8	377.3	-2.25%	Ce/Bu

FX Movement: Indian rupee appreciated by 0.3% to trade near 64.15 levels against the US dollar. The US dollar has weakened against major currencies post FOMC decision. The US central bank kept interest rate unchanged but expressed concerns about inflation causing uncertainty about future move. Rupee has also benefitted from gains in global equity market. Rupee may trade in a range of 63.95-64.3 and firmness may continue.



India Cotton Yarn Exports: April: Cotton yarn exports during April, according to Ministry of Commerce data, amounted to 65,484 tonnes, the two main markets being Bangladesh (16,972 tonnes) and China (9,085). Cumulatively, exports from August through to the end of April (the first nine months of the international cotton season) amounted to 882,259 tonnes, which represented a decline, compared with a year earlier, of just over eleven percent.



Technical Analysis: ICE- DECEMBER Future: Daily Charts:



Technical Analysis:

The Market has been moving in the range of 66 to 69 cents for the past three weeks. Either side break out shall give a fresh direction to the market. As indicated in the chart the market is still hovering below all the short term moving averages suggesting the trend is still weak.



Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Commodity Services Private Limited. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Commodity Services Private Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice.

Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.

We do not have any information other than information available to general public. The report is based on information from sources like respective industry associations, FICCI, CII, companies, media and other public sources. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading may make trading decisions that are inconsistent with the recommendations expressed herein.

We and our affiliates, officers, directors, and employees worldwide may: (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject commodity and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Commodity Services Private Limited's prior written consent.

Registered Office: Kotak Commodity Services Private Limited, Nirlon house, 1st Floor, Dr. Annie Besant Road, Opp. Sasmira, Worli, Mumbai-30 CINU65910MH1987PLC042230.

Fax: +91 22 24924696. Customer care: 180010266776. www.kotakcommodities.com

Aurobinda Gayan- Vice President Research		aurobinda.gayan@kotakcommodities.com
Fundamental Team		
Faiyaz Hudani- DVP	Oilseeds; Pulses	faiyaz.hudani@kotakcommodities.com
Madhavi Mehta- AVP	Bullion; Energy	madhavi.mehta@kotakcommodities.com
Priyanka Jhaveri- AVP	Base Metals	priyanka.jhaveri@kotakcommodities.com
Sunandh Subramaniam- Asst. Manager	Spices	sunandh.subramaniam@kotakcommodities.com
Technical Team		
Karan Shah- Manager		shah.karan@kotakcommodities.com
Bhavin Shah- Manager		bhavins.shah@kotakcommodities.com
Rohan Patil- Manager		rohan.patil@kotakcommodities.com