



TEXPROCIL

THE COTTON TEXTILES EXPORT PROMOTION COUNCIL
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E Serve No. 43 of 2017

April 05, 2017

Sub: Cotton prices slipped below 75 cents - near month contract

Dear Member,

Alert received on 5th April 2017, from Kotak Commodities Services Pvt Ltd regarding declining Cotton prices is reproduced below for your information and strategic planning in cotton procurement.

Quote:

Decisively cotton price fell this week at the global market. The cotton for **May contract trades at ICE slipped from the high of 78.07 to end the Tuesday's trading session sharply lower at 74.85 cents per pound. Speculative selling** weighed on the nearby contracts while **long only position square off** also supported price to trade down. A large long only fund completed its position fund rolling from May into July with another large fund expected to start their position fund rolling later in the week. The trading volumes were strong. As per the report on Tuesday the traded volumes were around 52,000 contracts while on Monday the volume was 60+K highest for ICE contracts since past seven weeks.

With the recent **fall in price breaking 50-day simple moving average (SMA)** indicates in the near term cotton price may remain under pressure. Therefore, **mill fixation against the outstanding on call purchases has become active.** The next CFTC report shall give us a clearer picture on the same. However, the open interest in the month contract has declined sharply to 0.128 million contracts. While, there has been addition of OI (funds position rollover partly) in the July contract. The July OI has increased to 65000 contracts from a recent low of 47000 contracts.

This morning ICE future for near month contract is seen trading at 74.95 marginally higher from the previous day's close while holding a strong support at 100-day SMA. We believe market would now be very critical and upon convincing break below 74.50 would confirm a fresh bear move towards 73.75 levels. For the day we expect ICE cotton to trade sideways to bearish and every rise in the price would be treated as a sell recommendation. **From the technical perspective we expect ICE future to trade in the range of 74.20 to 75.30 cents per pound.**

Coming to domestic market the spot market is partly open and close across the country due to regional festival so the spot price continues to hold a steady tone. However, domestic future price has taken strong cues from the international market. The April future ended the session on Tuesday lower at Rs. 20,960 down by Rs. 240 per bale from the previous close. We believe since the domestic spot and future price is trading at a larger premium over the global price is highly prone to correct onto the downward trend. **For the day the trading range would be Rs. 21100 to Rs. 20800 per bale and recommend selling from higher levels.**

/Unquote/

For a detailed report, you may contact:

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Regards,

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