

# COTTON



## News & Development

MCX Cotton Futures traded lower during the month of June and later in the month of July witnessed some incline due to higher sowing and increased demand from the textile industries in the domestic market respectively as some of states have started to eased lockdown. Moreover, easing farm activities in rural regions led to increased buying of cotton especially in the state of Gujarat; with easing tensions of lower supplies and arrival shortage, bringing support in prices in the July month. At the global front, the demand for cotton had been reported to have increased especially China due to easing lockdown, though China has not begun full fledged buying of US agricultural products based on the Phase 1 US-China trade deal. By 9th July, MCX Cotton July futures price closed at Rs.16,180/bale, higher by 3.52% compared to Rs.15630/bale reported on 29th May.

Fundamentally for the month ahead, we expect MCX Cotton futures to continue to trade mixed to bearish owing to forecasts of higher sowing of cotton in India in the major states of Maharashtra and Madhya Pradesh by 15-20%. Higher stocks reports from last of approx. 85-90 lakh bales (1 bale = 170kgs) for the year 2019-20, compared to 25-30 lakh bales for the year 2018-19 eventually to also pressure in spot and future prices. Moreover, poor exports continue in the global markets as compared to previous year 2018-19 which could also cap any major upside movement. Earlier, we had estimated that farmers are likely to shift sowing acreage from Cotton to Soybean in the above states based on traders' sources. However, the same may not be witnessed completely as farmers continue to prefer sowing of cotton amid favorable weather conditions and good monsoon. Overall, we expect sideways to bearish trend in MCX Cotton Futures for the month ahead.



On the weekly timeframe, MCX Cotton (July) has sustained below its "**Bollinger Band Mean**" which indicates that the bearish trend is intact. Moreover, price has been trading below its "**Parabolic SAR**" which confirms weakness in the counter. Furthermore, price has sustained below its **50\*200 days "Simple Moving Average"**, which confirms bearish control. Additionally, momentum indicator **RSI (14)** has sustained below its 50 level which suggests negative momentum. Moreover, **Super Trend (7,1)** has given a sell signal which confirms bearishness. **So, based on the above technical structure one can initiate a short position in MCX Cotton (July) future at CMP 16130 or a rise in the prices till 16250 levels can be used as a selling opportunity for the downside target of 15000. However, the bearish view will be negated if MCX Cotton (July) closes above the resistance of 16800.**