

COTTON



News & Development

MCX Cotton Futures traded sideways during the month of March and April month so far due to improved demand from the textile industries in the domestic market and decline in supplies in the spot markets. CAI in its March estimates for 2020-21 cotton seasons has estimated production at 360 lakh bales, higher from the previous estimates of 358.50 lakh bales. The total supply from October 2020 to March 2021 was estimated at 459.26 lakh bales, which consist arrivals of 326.76 lakh bales, whereas imports are estimated at 7.50 lakh bales and opening stock at 125 lakh bales. Furthermore, consumption was estimated at 165 lakh bales and exports till 31st March 2021 was around 43 lakh bales, stock at the end of March 2021 was estimated at 251.26 lakh. By 15th April, MCX Cotton December futures price closed at Rs.21780/bale, lower by 0.82% compared to Rs.21960/bale reported on 31st March.

Fundamentally for the month ahead, we expect MCX Cotton futures to continue to trade bullish as CCI is planning for 90 lakh bales total exports in the coming months with revival of demand from China and Bangladesh. Moreover, since we are in the post harvest season in the above states the arrivals have started to decline from 3 lakh bales to 1.25-1.75 lakh bales on a daily basis. Until the next season, it is likely to create supply tightness in the domestic market. As the demand is increasing the traders are offering better price than the CCI and are purchasing cotton from farmers. Ongoing semi-lockdown situation in various parts of India and strict curfew in Maharashtra, there has been reports of supply tightness and panic buying in the domestic market. Elsewhere, based on the recent WASDE Monthly Report, the US cotton supply and demand forecasts show higher exports and lower ending stocks relative to last month. The export forecast is raised by 250,000 bales to 15.75 million bales on the pace of recent sales and shipments. Ending stocks are now forecast at 3.9 million bales, equivalent to 22% of total disappearance. Overall, we expect bullish trend in MCX Cotton Futures for the month ahead.



On the daily chart, MCX Cotton has been trading in rising trend from last couple of days with **Higher Highs & Higher Lows** formation. Moreover, the price has also traded above Middle **Bollinger Band** formation and 100 days **Simple Moving Averages**, which is an indication of bullish trend for the long term. Furthermore, the price has settled above 61.8% Retracement Levels which suggests bullish strength in the counter. In additions, a momentum indicator RSI (14) and Stochastic oscillator has indicated positive crossover on the daily time frame. **So, based on the above technical structure one can initiate a long position in MCX Cotton (May) future at CMP 22110 or a fall in the prices till 21900 levels can be used as a buying opportunity for the upside target of 23500. However, the bullish view will be negated if MCX Cotton (May) closes below the support of 21400.**