

# COTTON



## News & Development

MCX Cotton Futures traded bullish during the month of January due to improved demand from the textile industries in the domestic market and later decline in supplies in the Gujarat & Maharashtra spot markets. Moreover, CCI Procurement operations of seed cotton under Minimum support price are going on smoothly in Punjab, Haryana, Rajasthan, Madhya Pradesh, Maharashtra, Gujarat, Telangana, Andhra Pradesh, Odisha, and Karnataka, around 90 lakh bales of cotton till 1st February 2021. Cotton prices have also improved due to strong export demand for raw cotton and cotton yarn. Farmers continue to deliver their crop to the government's procurement scheme under minimum support price (MSP) as prevailing seed cotton market price remained below MSP levels. By 8th February, MCX Cotton December futures price closed at Rs.21640/bale, higher by 4.89% compared to Rs.20630/bale reported on 31st December.

Fundamentally for the month ahead, we expect MCX Cotton futures to continue to trade bullish as CCI is planning 10 lakh bales in the coming months after procuring 90 lakh bales from the farmers. 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. In addition, the government of India in its recent budget imposed import duties of 10% on cotton from Nil. This decision from the central government in order to boost production by farmers of India and eventually move towards doubling the farmers income by the year 2022. As the demand is increasing the traders are offering better price than the CCI and are purchasing cotton from farmers. Elsewhere, markets are also awaiting the WASDE Monthly report by this week, which will give a clear picture regarding the U.S. and the global cotton scenario. Market experts forecast for lower production, higher exports, and lower ending stocks in the United States with further decline in production and ending stocks at the global level. Overall, we expect bullish trend in MCX Cotton Futures for the month ahead.



On the daily timeframe, MCX Cotton (Mar) has formed a series of **"Higher Highs & Higher Lows"** which signals bullish presence in the counter. Also, MCX Cotton (Mar) has been trading above its **"Parabolic SAR"** which signals bullishness. But, price has sustained above its **20\*50 Days "Simple Moving Average"**, which confirms bullish control. Moreover, price has been trading above its **"Ichimoku Cloud"** which confirms strength in the counter. But, momentum indicator **RSI (14)** has sustained above its 50 level which suggests positive momentum. **So, based on the above technical structure one can initiate a long position in MCX Cotton (Mar) future at CMP 21710 or a fall in the prices till 21600 levels can be used as a buying opportunity for the upside target of 23310. However, the bullish view will be negated if MCX Cotton (Mar) closes below the support of 20890.**