

COTTON



News & Development

MCX Cotton Futures traded bullish during the month of April and May month so far due to higher demand from the textile industries in the domestic market and later decline in supplies in the Gujarat & Maharashtra spot markets due to curfews and lockdown imposed strictly state wise. Although, government has allowed mills to operate but markets are closed so mills are facing cash crunch. Textile mills dealing in exports are still going strong as Indian yarn prices are attractive. By 13th May, MCX Cotton December futures price closed at Rs.22260/bale, higher by 3.24% compared to Rs.21560/bale reported on 31st March.

Fundamentally for the month ahead, we expect MCX Cotton futures to trade bearish as Cotton farmers from various states are planning to increase area under cotton cultivation in the coming 2021-22 kharif season. Indian Textile mills have reduced production due to lower domestic demand and labour shortage. Although, government has allowed mills to operate but markets are closed so mills are facing cash crunch. Textile mills dealing in exports are still going strong as Indian yarn prices are attractive. Cotton arrivals are very low due to corona virus cases and lockdown in many parts of the country. According to the Union Ministry of Textile Committee, Cotton Production and Consumption has reduced for the season 2020-21 at 303 lakh bales from 330 lakh bales earlier, owing to the current lockdown as the extreme second wave of corona virus. Although total demand is expected to be 373 lakh bales, with 303 lakh bales consumed domestically and 70 lakh bales exported, but then closed APMC markets in the northern, central and southern states of India is expected to keep the prices under pressure. Moreover, farmers in northern states such as Punjab, Haryana and Rajasthan are expected to begin sowing from next week onwards due to good irrigation facilities, while other states are expected to begin from first week of June onwards with the start of the monsoon season. As per IMD sources, monsoon is expected to be near normal around 98-104% of normal.



On the daily chart, MCX COTTON (JUN) future has been rising continuously in **Rising Wedge** formation from last couple of weeks. However, the price has faced immediate hurdle of prior supply zone which indicates a bearish reversal in the counter for the near term. In addition, **Bearish Harami** candlestick has also formed on a four-hourly chart, which confirms bearish trend in the near future. Moreover, an oscillator **Stochastic RSI** is also supportive for the short position with negative crossover. **So based on above technical structure one can initiate a short position in MCX Cotton (Jun) future at CMP 22400 or a rise in the price till 22540 can be used as selling opportunity for the downside target of 20900. However, the bearish view will be negated if MCX Cotton (Jun) future close above the resistance level of 23200.**