



Cotton market in the midst of fixation vertigo: Weather takes the center stage

**Please Read this before you trade:** We strongly recommend traders to use own discretion on entry and exit points based on product volatility and multiplier. For the gold, flexibility in entry or exit could be marginally 0.025-0.05% of suggest level. Target 1 is conservative objective were part pro fit may be booked. Target 2 is best case profit objective and full profit may be taken. Entry is valid usually for same day and SL is valid until that level triggered.

**India Cotton**

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. trend
MCX Jun cotton	No call	NA	NA	NA	NA	46000-48000	Interim top- Restive mode

**Outlook:** MCX cotton futures showing wild ride and paralyzed trading amid acute physical shortage, demand destruction and wild ride in ICE July contract amid ongoing on call fixation. Domestic forward curve is too much think -lack of depth. Market is showing deep inversion. Spot month May cotton traded around Rs 1000 premium over Jun. New season October contract showing indicative bids around 38000, but no trade reported yet. Rains in part of Texas has cooled down sentiment. Chinese cotton futures also traded weak amid economic slack. Domestic cotton market is seen ultra-risk averse. Mills and buyside consumers are adopting ultra-hand to mouth purchase amid increased cash loss. Some imported cotton is seen hitting market in Jun-July. Market is now eying India and USA cotton weather as well as China covid policy, USA monetary policy and EU energy policy. Lot of distortion and disruptions in commodity and currencies markets. Short term range is seen at 46000-48000. An interim top- pause in the rally may be, BUT- It is too early to call for end of party.

**Strategy:** We are entering into climate currency and credit (bond market) volatility. For a while, we prefer to stay sidelined. End users, compulsive buyers in physical may adopt Buying Jun contract and July contract, instead of carrying physical cotton and incur cost. Jun futures are available in decent discount relatively to cash. Current Jun-July pair is in modest inversion around Rs300-400 and its illiquid as well, but going forward such backwardation may reach to 700-1000, liquidity may improve after 2<sup>nd</sup> June. Inversion in the middle of the season does indicate acute serious supply shortage. For jobbing desk – Inversion lay- backspread jobbing opportunities seen developing.

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
NCDX Jun cocud	Sell	2900	2850	2820	2977	2860-2960	Distressed

**Outlook:** Few retail traders are badly stuck in long side trade. Amid malicious propaganda of cocud 4000 hoga- High pitch mktg pitch from certain broking fraternity and few crushers lobby is spotted by skilled prop trade- carry traders. Cocud carry return is highest in agri basket and cash-carry arbitragers having decent profit. Buy and hold strategy- when contango is 24-30% on annualized basis is very costly expensive error. Cash cake is commanding around Rs 120-150 premium over Jun contract. According to some insiders, some FED cake is subpar quality.

**Strategies: Distressed market.**

**ICE Cotton**

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
ICE Dec cotton	No call	NA	NA	NA	NA	120-128	Chaotic

**Outlook:** Market activity is centered around July cotton where fixation fragility keeps producing outsized wild moves. July cotton is in a vertigo mode and revolving between 140-148 cent. Dec contract is less volatile and as of now stuck in a range of 120-126. Intermediate outlook is toppish. Texas rains have cool down sentiment. Fed hawk talks, China slowdown, corona and fear of stagflation also took out some hot air from the balloon, however Jul-Dec inversion which is still elevated around 21 indicates that bulls are still in a commanding position. What we can assume is- Cotton is in a congestion, restive mode for a while. After a prolong run from 89 in sept to 155 in May 2022, now market needs some rest to improve respiration.

**Strategy:** No call. Time to stay sidelined. Preferred bias is to sell around 130-132 (with suitable call option protection). Jul2023- Dec 2023 spread is also in a deep inversion around 15. It's really strange!!



Mcx Jun cotton is showing some slowdown in buying momentum. Bollinger Band is seen in mild congestion ahead. Prices traded below 20 day moving average. Downside support is seen around 45300-45800-46000, Upside resistance is 48400-48800-50100.

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