



PARADIGM COMMODITIES ADVISORS

Cotton Outlook- 8th June 2022

China slowdown weighs on market sentiment: Fixation fireworks look failed scenario

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	44000-47000	Toppish

Outlook: Cotton futures remained weak. There is acute tightness in cash lint cotton, however supply glut in yarn market and demand destruction in made ups and apparel is limiting cotton rally. Its an unique situation. Forward curved is steeply inverted at MCX and also in ICE, however China ZCE forward curve inversion greatly reduced. Going forward, we may see contango in ZCE. Tightness in lint cotton and glut in yarn are two counter intuitive forces. US macro numbers like GDP, retail sales, ISM, non farm pay roll does indicate a strong vibrant economy. Chinese macro numbers such as home sales, credit growth, corona lockdown, capital markets are pointing toward downturn. USA is going hawkish while China going dovish. Amid such confluence, cotton market lacks lasting direction. Now market awaits monsoon onset in India and hurricane season in USA. There are also some secondary uncertainties such as Ukraine war, food crisis, inflation, geopolitical stress etc. Short term outlook for cotton seen mil toppish.

Strategy: Market looks toppish. A fading bull market which needs fresh triggers to get retain upside momentum. If no bullish triggers unfold, market may start responding to respect law of gravity. **PATH OF LEAST RESISTANCE SEEN DOWNWARD.**

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
NCDX July cocud	Sell	2990	2920	2880	3094	2880-3080	Recovery bounce

Outlook: Cotton cake futures produced recovery bounce amid relief rally. Retail longs are fad with prolong slump. Physical demand is relatively weak compare to other cattle feed products.

Strategies: Sell on spike.

ICE Cotton

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
ICE Dec cotton High Risk call	Sell	123	119	117.90	125.88	116.80-124.48	Congestion

Outlook: New crop Dec cotton futures looks weak. Forward curve is steeply inverted in New crop old crop as well new season contracts also showing inversion. Dec 22-Dec 3, Jul 23-Dec 23 both spreads are inverted. It looks really strange. Current technical structure looks consolidative or sideways. Pent up demand in US, EU and inventory overhang, consumer deleveraging in china are two conflicting influences affecting global cotton flows. Market is awaiting Friday option expiry and WASDE report for getting further cues.

Strategy: Sell on rally.