



PARADIGM COMMODITIES ADVISORS
Cotton Outlook- 22nd November 2022

ICE cotton relief rally wanes- Tightness eases in

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ICE Cotton

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. trend
ICE Mar Cotton	Trendless	NA	NA	NA	NA	NA	Chaotic

Outlook: Surging covid in China has capitulated relief rally. ICE December breached series of support around 85.30, 82.30. Short term trend is weak. China covid, stagflation risk and yarn glut in Asia is big drag. Cotton seems to be entered into its old yet sticky range of 76-87 basis Mar. China yarn imports for Jan-Oct 2022 is down almost 20% and lowest in last 10 years.

Strategy: Underlying momentum is weak and downward. Market may test 77.70-76.45. We are not getting clean trade. Market is in whipsaw mode.

Commodity spread	Strategy	Entry	Target 1	Target 2	Stop loss	Spread Range	Trend
Jul-Dec 2023*	Sell	4.5-4.80	3-3.10	2.20-2.50	6.70	2-7	Easing tightness

Outlook: Spread is hyper volatile in current season. Tightness is easing. Demand destruction outweighs any potential sappy short fall. China covid playbook has lot of twists and look like a never-ending story. Markets are showing fatigue after almost relentless volatility.

Strategies: Spreads are highly fluctuating. Massive spike in invert and collapsing invert- Last time I have seen such market in 2010-2011. Current outlook is very hazy and its difficult to find a low-risk clean trade in spreads. Even option trades are also seen tough to find out.

India Cotton

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
MCX Dec cotton* Speculative punting	Wait for sell	31400 abv	NA	NA	NA	NO range	Bearish

Outlook: Outlook is chaotic. Farmers are not ready to accept global economic reality. Uncontrolled greed in every farm product. Be It guar, Be It cotton, be it Soy or Be it mustard. Collective hoarding of rabi and kharif crops – and soaring surplus in global markets along with super high interest rates could limit upside. Weather in Northern Hemisphere, China covid and long war of Baltic makes cotton creates a NO WIN situation. Let's wait for right time for right trade. Undue and hasty trading is not desirable.

Strategies: Time to stay away till market gets firm footing.

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
NCDEX Jan cake	Distorted mkt						Chaotic

Outlook: Cotton cake is very rough market in physical segment. Cottonseed prices crashed last week.

Strategies: Physical and futures are in strong disconnect.