



# PARADIGM COMMODITIES ADVISORS

Cotton updates- 20<sup>th</sup> December 2023

## ICE cotton stays choppy amid lackluster trading

Please Read this before you trade: Trade Set up levels are indicative and valid for 2-3 working sessions unless specified as positional or directional. Target 1 is conservative objective, target 2 is optimistic objective. Stoploss 1 is conservative SL for risk averse traders. SL 2 is little aggressive SL. Given increased HFT/ML trading we suggest to avoid placing SL well in advance. SL may be placed when prices are too close for SL limits- Profit and loss may be booked in 2 steps to fine tune amid noise trading. Modest discretion in entry or exit may be applied based on prevailing prices or data-news reactions.

### ICE Cotton

Commodity	Strategy	Target 1	Target 2	Stoploss 1	Stop loss 2	Tech Range	Tech. Trend
ICE Mar cotton	Buy @ 78.90 & 77.60 equal volume	80.20-80.30	81.20-30	77.20	76.70	77.70-81.80	Choppy

Outlook: ICE Mar cotton futures is locked in a choppy range of 77.70-82.20. Market looks well supplied. Forward curve is a carry market. Meanwhile ICE certified stock reduced further to 5168 bales, sharply down from 87000 in Nov 2023.

Strategy: Cotton is stuck in a narrow range, offering random jobbing opportunity for algo and screen traders/ jobbers. Directional and positional traders are sidelined amid prolong congestion.

### India Cotton complex

Commodity	Strategy	Target1	Target2	Stoploss1	Stoploss2	Tech range	Tech trend
MCX Jan cotton	Stay away	NA	NA	NA	NA	54400-57200	Trendless

Outlook: MCX cotton futures lacks liquidity. Due to super low depth- erratic distorted swings often occurs. Volume is seen meager 6-10 lots. Open int stood at 194 lots as on today.

Strategy: Stay away. It's a dead market.

Commodity	Strategy	Target 1	Target 2	Stoploss 1	Stop loss 2	Tech Range	Tec. Trend
NCDEX Jan cotton cake	Sell @ 2750 & 2800 respectively	2710	2680-85	Given later	Given later	2666-2844	Sideways

Outlook: Cotton cake market looks like a stealth bear market. Jobbers and spread traders are active amid low margin and relatively liquidity play.

Strategy: Sell on spike with scale up selling. Prefeed bias is jobbing and swing trade.

Commodity	Strategy	Entry	Target 1	Target 2	Stop loss	Tech Range	Tec. Trend
NCDEX April Kapas	Buy in 2 step@ 1555 and 1530	Open	Open	Open	Given after entry	1537-1597	Chaotic

Outlook: Kapas's futures seen volatile. Retail traders are active in kapas as a proxy hedge. Volume is relatively OK compare to MCX cotton.

Strategy: Some thing is better than nothing kind of jobbing play. A circular product- keep revisiting 1480-1620. Small range is 1530-1590, intermediate range is 1460-1660.

### Trends- Macro Picture

India cotton	Prices traded lackluster and weak- Looks like a stealth bear market. Need baed, light buying from mills are seen. Consumers are staying ultra- hand to mouth amid very slack demand and acute cash crunch. On a broader time, frame, we may see wild swings in 2024 amid co-existence of FOMO-rate cuts in US-UK-ECB and super accommodative China, Japan. A late-stage cyclical recovery is due to 2Q 2024 or 3Q 2024. Cotton has uncanny ability to correct market imbalances. During high prices- Demand destruction cures market imbalances. (High prices kill high prices). Same holds true for opposite extremities. Low price cures low prices. As renown economist J B Say low says- Supply creates its own Demand. (Maal ka Naseeb mota.)
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ZCE Cotton	Recent recovery faltered and prices hovering in a choppy range with mild downside bias. Covid J 1 concerns and deflationary environment kept sentiment jittery. Continuous liquidity supply is preventing deeper implosion it seems. Regulators are extra cautious in commodity speculation, especially heavy intervention in steel- iron ore- Urea futures. Yarn market is major trigger for the drag. Red sea shipping risk, cold wave are widely watched. Temperature in some area is 40 years low. Minus 40. We are awaiting more inputs from our friends in China and Vietnam.
Brazil	Brazil cotton acreage witnessed marked increase amid dryness and heatwave- El Nino related weather uncertainties. Acute soy seed shortage resulted in acreage expansion of cotton and other crops. West African crops are seen 10-20% lower amid infestation. Supply chain worries amid red sea, Panama, inland waterways navigation disruptions are grabbing attention. We may see sharp spike in global freights for Jan-Mar 2024, our friends in metals and bulk veg oil markets say. Cash prices quoted around 3.68 Brazil real and Lb. We are awaiting detailed inputs from our friends in US.

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