

IRCo – Rubber Market Watch: 31 December 2012 – 4 January 2013

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The Movements of Global Stocks, Finance and Energy

Most Asian stock markets remained in an uptrend during the week, but they closed mixed on Friday after the U.S. Congress passed legislation on a budget deal and manufacturing reports from the U.S. and China showed some improvements. The Nikkei Index leaped 2.8% to 10,688.11. The Shanghai Composite Index ended the session up 0.4% at 2,276.99, but Hong Kong's Hang Seng Index was 0.3% lower at 23,331.09. Australia's S&P/ASX 200 was down 0.4% to 4,723.80 while South Korea's Kospi finished 0.4% lower at 2,011.94.

European stock markets extended gains into a fourth day on Friday, after a U.S. jobs report broadly met expectations and data showed activity in the country's service sector accelerated. The Stoxx Europe 600 Index closed 0.4% higher at 287.83, rising 3.3% on the week. The U.K.'s FTSE 100 Index gained 0.7% to 6,089.84 while France's CAC 40 Index rose 0.2% to 3,730.02. And the German DAX 30 Index climbed 0.3% to 7,776.37, with a 2.2% weekly gain.

U.S. stock markets rose significantly during the week after December job growth roughly met economists' estimates and a reading on non-manufacturing economic activity was surprisingly strong. On Friday, the Dow Jones Industrial Average added 43.85 points, or 0.3%, to 13,435.21. The Standard & Poor's 500-stock Index rose 7.10 points, or 0.5%, to 1,466.47, and the tech-oriented Nasdaq Composite Index rose just 1.09 points, or less than 0.1%, to 3,101.66.

A modest U.S. jobs report on Friday failed to dent the dollar's strength against the yen but the euro even though the U.S. economy added 155,000 jobs in December, with the unemployment rate steady at 7.8%, and the U.S. non-manufacturing index rose to 56.1 in December from 54.7 a month earlier. As a result, the yen stayed at around Y88.12 against the dollar whereas the euro stayed at around 0.7653 against the dollar.

U.S. crude oil futures ended modestly higher on Friday ahead of a major pipeline expansion which analysts said will lead to still-higher prices for the benchmark contract. Light, sweet crude oil futures for February delivery on the New York Mercantile Exchange settled up 17 cents at \$93.09 a barrel, according Dow Jones Newswires.

Rubber Markets

Most rubber markets in Asia were closed on Monday except Shanghai rubber futures. Rubber markets in the region resumed on 2 January except Tokyo and Shanghai rubber futures which resumed on Friday.

Natural rubber (NR) prices on both rubber futures and physical markets in the region stayed uptrend throughout the week on the back of a

weaker yen against the dollar, firm crude oil futures, and strong global stock markets, after the U.S. Congress passed legislation on the budget deal and the U.S. and China's economic data showed higher than expected growth in December.

Moreover, NR supply remained tight during the week as southern Thailand and northern Malaysia still experienced heavy rains throughout the week. The mentioned reasons resulted in continued rises in NR prices on both rubber futures and physical markets on Friday compared with an earlier Friday.

IRCo's technical MACD continued pulling up its Signal Line in positive territory, but its technical RSI stayed rangebound at around 85.86% on Friday. These indicate that most investors still continue holding long positions as they expect NR prices to go higher in the near future.

Furthermore, NR prices are expected to be supported by firm rubber market fundamentals at present and at least during 1Q13 as rubber trees in the major producing countries, i.e. Thailand, Indonesia, and Malaysia are expected to start shedding their leaves in February. Lots of economic problems in the U.S., Europe, and China in particular have been solved, and auto sales in major global markets last year still increased despite at a slower pace than a year earlier.

Owing to the above mentioned reasons, it is anticipated that NR price could reach a \$4.0 level in 1Q13.