Rubber May Extend Decline After Dead Cross: Technical Analysis

Rubber may extend a bear market and reach the lowest level in more than three years by the end of December after forming a dead-cross pattern, according to technical analysis by research company JSC Corp. in Tokyo.The 50-day moving average for futures on the Tokyo Commodity Exchange fell below the 200-day average this month after breaching the 150-day average at the end of April, signaling downward momentum is accelerating, said analyst Takaki Shigemoto.The 50-day average also exited the cloud pattern on Ichimoku charts last week, signaling futures may stay bearish for another six months, Shigemoto said. The most-active contract on the Tokyo bourse may breach last year's low of 205.6 yen a kilogram ($2,152 a metric ton) and reach cheapest level since October 2009, he said."Rubber is struggling with triple blows — negative chart signals, bearish fundamentals and a stalled rally in the dollar against the yen," Shigemoto said in a telephone interview.Rubber for delivery in November settled at 236.5 yen in Tokyo yesterday, retreating 30 percent from this year's peak of 337.8 yen reached Feb. 6. It is 56 percent below the record high of 535.7 yen set in February 2011, as global production is forecast to exceed consumption for a third year.The commodity's surplus will expand 57 percent to a record 490,000 tons this year, enough to meet U.S. demand for six months, according to RCMA Commodities Asia Group, the Singapore-based company that has traded rubber for nine decades. The yen traded at 95.42 per dollar at 9:33 a.m., rebounding from a four-year low of 103.74 reached last month.In technical analysis, investors and analysts study charts of trading patterns and prices to predict changes in a security, commodity, currency or index.Bloomberg