IRCo – Rubber Market Watch: 15 – 19 October 2012

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The Movements of Global Stocks, Finance and Energy

Asian stock markets were mixed on Friday supported by firm Nikkei index, which rose consecutively throughout the week. On Friday, the Nikkei index finished up 0.2% at 9,002.68, and Hang Seng index managed to advance 0.2% to 21,551.76. The Shanghai Composite index was down 0.2% to 2,128.30, and South Korea's Kospi Composite slipped 0.8% to 1,943.84.

European stocks remained on a downtrend on Friday as Moody's Investors Service reiterated its investment-grade debt rating on Spain following a review and U.S. reports on retail sales, manufacturing and house building beat estimates.

The Stoxx Europe 600 index fell 0.8% to close at 274.08. The German DAX 30 index fell 0.8% to 7,380.64, but closed the week 2.1% higher. The U.K.'s FTSE 100 index closed 0.4% lower at 5,896.15. On a weekly the basis, the index added 1.8%.

Wall Street moved upwards from Monday to Wednesday before it would fall for the rest of the week after a slew of weak corporate earnings reports. The Dow Jones Industrial Average fell 205 points, or 1.5%, to 13,343. The Nasdaq Composite Index gave up 67 points, or 2.2%, to 3,006, and the Standard & Poor's 500-stock index lost 24 points, or 1.7%, to 1,433.

The yen weakened against the dollar during the week on signs of an improving U.S. economy and expectations for the Bank of Japan (BoJ) to ease monetary policy later this month. At the same time, the euro strengthened against the dollar during Monday and Wednesday before it would weaken against the dollar for the rest of the week. The euro was at 0.7680 dollar, and the dollar was at 79.30 yen on Friday.

Crude oil futures stayed rangebound during Monday and Thursday before it would fall in the wake of concerns that slowing economic growth will reduce oil demand. Light, sweet crude oil for November delivery on the New York Mercantile Exchange fell US$2.05 a barrel, to settle at US$90.05 on Friday, according to Dow Jones Newswires.

Rubber Market

Volatile global stock markets, persistent concerns about the current Euro-zone debt crisis, the fall in China's natural rubber (NR) imports by 12.5% in September, and anticipations of weaker U.S. Chinese growth in 3Q12 should be the major factors, which convinced market players to liquidate their contracts on rubber futures and to stay on the sidelines during the week.

These resulted in the falls of NR prices across the board.

IRCo's technical MACD and Signal Line were weighed down by persistent bearish sentiment on rubber futures in Asia on Friday. In the meantime, IRCo's technical RSI fell from 63.79% on an earlier Friday to 41.38% on Friday.

It can be concluded that IRCo's RSI has fallen from 18 September to Friday, 19 October, because non-rubber factors have been very weak, and market players have continued to liquidate their long positions despite the effort of the ITRC to cut back 300,000 tons from October 2012 to March 2013 and steady NR consumption in tire and non-tire industries.

Rubber futures and physical rubber markets in Asia are expected to remain volatile in the coming week, but downside risk is more likely due mainly to persistently bearish market sentiment. However, the NR export cut back measure by the ITRC, more rain to come in southern Thailandand northern Malaysia, and steady tire production in China will lend support for NR prices to stay firm for the rest of this year.