

IRCo – Rubber Market Watch: 13 – 17 August 2012

By Yium Tavarolit The Movements of Global Stocks, Finance and Energy Asian stock markets closed higher on Friday after German Chancellor Angela Merkel made a comment supportive of the euro, China's Premier Wen Jiabao said there's more room to adjust monetary policy, and U.S. economic reports signaled strength in the world's largest economy. Shanghai SE Composite Index rose 0.13% to 2,114.89 while Japan's Nikkei was up 0.8% to 9,162.50. The Hang Seng Index gained 0.8% to 20,116.07, and the Australian S&P/ASX 200 climbed 0.9% to 4,370.10. South Korea's Kospi only was down 0.6% to 1,946.54. Also, European stock markets finished higher on Friday mainly due to the positive comment by German Chancellor Angela Merkel on Thursday to support the European Central Bank and an unexpected rise of the U.S. consumer confidence to 73.6 in August from a final July reading of 72.3. These led the Stoxx Europe 600 index to close 0.6% higher at 272.83, its highest finish since 8 July 2011. The German DAX 30 index also rose 0.6% to 7,040.88. The French CAC 40 index rose 0.2% to 3,488.38 while the U.K.'s FTSE 100 index rose 0.3% to 5,852.42. Stocks on Wall Street enjoyed their sixth straight weekly gains on Friday as economic reports, the University of Michigan's consumer sentiment index and the Conference Board's leading indicators, beat forecasts and Germany backed the European Central Bank's bond-buying plan. The Dow Jones Industrial Average added 25.09 points, or 0.2%, to 13,275.20 while the Standard & Poor's 500-stock index rose 2.65 points, or 0.2%, to 1,418.16, one point off its multiyear peak. The Nasdaq Composite Index climbed 14.20, or 0.5%, to 3,076.59. The dollar advanced against its main rivals in very light trading on Friday, as upbeat U.S. economic data further reduced market expectations for more accommodative policy from the Federal Reserve. Late Friday, the dollar was at Y79.57 against the yen, compared with Y79.35 late Thursday, according to trading system EBS via CQG. The euro traded at US\$1.2335 from US\$1.2358, and against the yen, it traded at Y98.13 from Y98.08 Thursday. The pound traded at US\$1.5689 against the dollar, compared with US\$1.5733 late Thursday. Crude futures prices rose for the fourth-straight session on Friday as investors grew skeptical about the possibility of a release of strategic oil reserves and the head of the International Energy Agency said there were sufficient supplies in the oil market. Light, sweet crude for September delivery settled 41 cents, or 0.4%, higher at US\$96.01 a barrel on the New York Mercantile Exchange. Brent crude for October delivery on the ICE futures exchange fell 1.4% to US\$113.71 a barrel in the first day as a front-month contract, though futures still ended US\$2.60 higher for the week, according to Dow Jones Newswires. Rubber Market Market players on rubber futures, especially on Tokyo and Shanghai rubber futures, continued liquidating their long positions from Monday to Wednesday as bearish sentiment persisted whereas major stock markets, i.e. Wall Street and Tokyo Stock Exchange and crude oil futures on New York Mercantile Exchange rose consecutively while the Japanese yen weakened against the dollar. The influence of the said two rubber futures resulted in falls of physical rubber markets in the region. However, a decision of the Tripartite Rubber Council (ITRC), which

comprises Thailand, Indonesia, and Malaysia, to cut their collective exports by 300,000 tons and to reduce production by another 150,000 tons through an accelerated replanting scheme on Wednesday restored market confidence and led rubber futures and physical rubber markets in the region to close higher on Thursday and Friday. IRCo's technical MACD and Signal Line still stayed in negative territory on Friday, but its RSI rose from 10.12% on an earlier Friday to 20.07% on Friday mainly due to heavy short covering from Thursday to Friday activated by the ITRC's move on Wednesday. China's National Bureau of Statistics said on Monday that China's tire production in July rose 5.5% compared with a year earlier to 78.97 million units. In the first seven months of the year, tire output totaled 499.54 million units, up 4.9% compared with January – July 2011. Meanwhile, China imported 990,000 tons of NR valued US\$3.42 billion during the first half of 2012, up 12.8% in volume but down 17.6% in value year on year, China's Department of Customs said. The current move of EU leaders to bolster the European economy and of the Chinese government to ease its monetary policy, together with a continued move of the ITRC, should be a crucial variable that will tell us whether NR prices will go south in the coming week.