

IRCo Market Watch (27 - 31 August 2012)

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The Movements of Global Stocks, Finance and Energy

Asian stock markets closed mixed on Friday as investors kept an eye on U.S. Federal Reserve (Fed) Chairman Ben Bernanke's speech at Jackson Hole later in the day. The Nikkei fell 1.6% to 8,839.91, as local sentiment was damaged following the release of worse-than-expected industrial output data for July. Australia's S&P ASX 200 ended flat at 4,316.10. The Hang Seng Index was 0.4% lower at 19,482.57. The Shanghai Composite was down 0.3% at 2,047.52, and South Korea's Kospi was 0.1% lower at 1,905.12.

European stocks ended August on a positive note after the Fed left the door open to a further round of monetary stimulus in an effort to boost the U.S. economy. The Stoxx Europe 600 index added 0.5% to close at 266.23 on Friday, and it closed the month 1.9% higher. The U.K.'s FTSE 100 index, however, closed 0.1% lower at 5,711.48, and it gained 1.4% on the month. The German DAX 30 index rose 1.1% to 6,970.79. France's CAC 40 index gained 1% to 3,413.07, and posted a 3.7% monthly gain.

Wall Street climbed to a third-straight monthly gain on Friday after the Fed chairman hinted that the Fed is ready to act a further round of monetary stimulus if necessary. The Dow Jones Industrial Average rose 90.13 points, or 0.7%, to 13,090.84 on Friday. The Standard & Poor's 500-stock index advanced 7.1 points, or 0.5%, to 1,406.58, and the Nasdaq Composite added 18.25 points, or 0.6%, to 3,066.96. In August, the Dow rose 0.6%, while the S&P 500 advanced 2%. The Nasdaq bested its fellow benchmarks, surging 4.3%.

The dollar fell against the euro and the yen on Friday after the Fed chairman indicated the central bank could introduce a bond-buying program if economic conditions warranted such action. Late Friday, the dollar was at Y78.38 from Y78.63, after having fallen to its lowest level since 13 August. The euro was at US\$1.2574 against the dollar versus US\$1.2506 late in New York Thursday. The pound was at US\$1.5880, from US\$1.5788 on Thursday.

The Fed chairman's speech to leave the door open to additional stimulus on Friday lift oil futures for October on the New York Mercantile Exchange to settle US\$1.85 higher at US\$96.47 a barrel, or 2%. Brent oil futures for October were up US\$2.03, or 1.8%, to US\$114.68 a barrel, according to Dow Jones Newswires.

Rubber Market

Market players on rubber futures in Asia played with a postponement of another 15 billion baht on rubber purchases to support prices by the Thai government on Tuesday and with weak market confidence throughout the week. In the meantime, the yen was rather flat, and crude oil

futures were rangebound.

These resulted in the falls of most natural rubber (NR) prices on both rubber futures and physical rubber markets in the region on Friday, comparing with an earlier Friday.

However, IRCo's technical indicators, i.e. its MACD and Signal Line improved gradually on Friday comparing with an earlier Friday. At the same time, IRCo's RSI also rose from 26.47% on an earlier Friday to 46.77% on Friday.

These indicate that IRCo's technical charts have shown their significant improvement on Friday, and they tend to improve further in the coming week mainly due to a positive hint on additional quantitative easing by the Fed Chairman on Friday.

Please note that NR supply is increasing in tandem with steady demand for tire and glove manufacturing whereas NR prices on rubber futures are still oversold, comparing with other soft commodities. In contrast, many commodity future indices have climbed from the bottom since mid-June 2012 and they remain on an uptrend at present.

Moreover, Thailand, Indonesia, and Malaysia have decided to start cutting back 300,000 tons of NR that will be effective from 1 October 2012 to 31 March 2013. And the rainy season in southern Thailand, which is the major NR production area, is coming this September.

Due to the above mentioned reasons, we expect to see a gradual improvement on NR prices from now to 1Q13 on the back of a return of positive technical charts, aggressive economic stimuli by the U.S., the Euro-zone, Japan, India, and China in particular.