

## IRCo Market Watch (6 - 10 August 2012)

The Movements of Global Stocks, Finance and Energy Weak Chinese trade data in July, especially the export increases of just 1.0% against the import increases of 4.7% and the sharp fall in trade surplus to US\$25.1 billion in July from US\$31.5 billion a year ago, weighed on Chinese and other major Asian stock markets on Friday. Hong Kong's Hang Seng Index extended losses to 20136.12, down 0.7%. The Shanghai Composite gave up a modest rise from earlier in the day, turning negative, down 0.2% to 2,168.81. Japan's Nikkei was 1% down to 8,891.44, as utilities and companies offering industrial services fell. South Korea's Kospi was the only major market in the region to post a gain, up 0.3% to 1,946.40. Weaker-than-expected data on Chinese exports on Friday also triggered stock selling across European markets. The Stoxx Europe 600 index fell 0.1% to 269.88. For the week, Europe's benchmark closed up 1.6%. The French CAC 40 index closed lower at 3,435.62 while the German DAX 30 index fell 0.3% to 6,944.56, as several key stocks were under pressure. The U.K.'s FTSE 100 index fell 0.1% to 5,847.11, pressured by a 0.3% drop for miner Rio Tinto PLC. In contrast, stocks in New York ignored falls in Asian and European stock markets on Friday caused by weak Chinese trading data in July, and they rallied into the close of trade as investors said hopes of stimulus from officials such as European Central Bank President Mario Draghi bolstered stocks throughout the week. The Dow Jones Industrial average rose 42.76 points, or 0.3%, to 13,207.95. The Standard & Poor's 500-stock index added 3.07 points, or 0.2%, to 1,405.87. The Nasdaq Composite Index edged up 2.22 points, or 0.1%, to 3,020.86. The yen strengthened against the dollar and euro on Friday, benefiting from safe-haven flows after weaker-than-expected Chinese trade data prompted concerns about global growth. The dollar ended the New York trading day at Y78.27, down from Y78.56 late Thursday. The euro was at Y96.20, down from Y96.68. The euro last traded at US\$1.2293, down from US\$1.2307 late Thursday while the pound rose to US\$1.5689 from US\$1.5638. Oil prices fell as a widely watched market forecaster lowered an estimate for the growth in crude demand next year. The decline left prices up only 1.6% on the week despite surging to a three-month high on Tuesday, after the Petroleum Exporting Countries reported on Thursday that it lowered its own demand growth forecast for 2013 by up to 20%. As a result, light, sweet crude for September delivery fell 49 cents to settle at US\$92.87 a barrel on the New York Mercantile Exchange. Brent crude lost 27 cents, or 0.2% to settle at US\$112.95, according to a report by Dow Jones Newswires. Rubber Market Rubber futures and physical rubber markets in Asia moved downward during the week as market players and speculators lost confidence in global economic improvement, and they continued to liquidate their long positions and to cut loss selling. These resulted in the falls in natural rubber prices across the board as shown in the table below on Friday compared with an earlier Friday whereas major global stock markets such as Wall Street, Tokyo, and Shanghai rebounded and moved upwards throughout the week. It is hard to explain anything during this period of time because global rubber markets are covered with bearish sentiments, which are influenced and dictated by speculative funds. We have seen the

facts that the latest global financial burst in late 2008 was caused by non-productive economies of the U.S. and the Eurozone, and irresponsibility of leaders of these countries who didn't enact relevant laws and didn't control financial institutions to do business transparently. Today, it seems that history is about to repeat itself because we have not seen any improvement and development of the global financial system.

Bridgestone Corp. said on Tuesday that its net profit rose 45% on year in 2Q12, as steady demand in emerging markets, robust demand for high-margin tires used in construction and mining vehicles, and lower-than-expected NR prices offset faltering sales in Europe and the yen's strength. The world's biggest tire maker by volume posted a net profit of Y33.0 billion in the three months ended June, up from Y22.7 billion in the same quarter last year. Sales grew 1.1% to Y762.7 billion from Y754.7 billion. The tire maker slightly raised its net profit outlook to Y172 billion from Y168 billion for the business year ending December. China's auto sales, the world biggest auto market, rose 8.16% year on year to a total of 1,379,400 units in July. The combined sales in the first seven months reached 10,979,400 vehicles, up 3.56%, according to data released by China Association of Automobile Manufacturers on Thursday. In the meantime, China's NR imports in July rose 6.3% from June to 170,000 tons, the General Administration of Customs said on Friday. July imports were 30.8% higher than a year earlier. In the first seven months, imports rose 15.4% to reach 1.16 million tons, it added. Looking back to IRC's technical indicators, its MACD and Signal Line fell deeper in negative territory on Friday compared with an earlier Friday. Its RSI also fell from 22.76% on an earlier Friday to 10.12% on Friday. It is expected that NR prices will remain fragile in the coming week because bearish market sentiments still remain.