

IRCo – Rubber Market Watch: 10 – 14 September, 2012

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The Movements of Global Stocks, Finance and Energy

The U.S. Federal Reserve's decision on Thursday to purchase US\$40 billion worth of mortgage-backed securities a month and to extend Operation Twist, a stimulus effort to keep interest rates down by selling short-term bonds and using the proceeds to buy long-term bonds, boosted global stock markets across the world on Friday. Japan's Nikkei hit a three week high at 9,159.39, up 1.8%, despite the strong yen. Hong Kong's Hang Seng index was up 2.9% to 20,629.78. The Shanghai Composite index rose 0.6% to 2,123.85 in China. Australia's S&P/ASX 200 added 1.2% to 4,390.00.

In Europe, stocks closed at a 15-month high on Friday. The Stoxx Europe 600 index jumped 1.3% to 275.95, and closed out the week with a 1.3% gain. The U.K.'s FTSE 100 index rose 1.6% to 5,915.55. On the week, the London index gained 2.1%. In France, the CAC 40 index jumped 2.3% to 3,581.58. The French index added 1.8% on the week. The German DAX 30 index rose 1.4% to 7,412.13. On a weekly basis, the index picked up 2.7%.

In New York, Stocks on Wall Street were also upbeat on Friday. The Dow Jones Industrial Average rose 53.51 points, or 0.4%, to 13,593.37, its fourth-straight daily gain. The Standard & Poor's 500-stock index advanced 5.78 points, or 0.4%, to 1,465.77. The Nasdaq Composite Index rose 28.12 points, or 0.9%, to 3,183.95.

The dollar weakened against most major currencies on Friday. The yen recently traded at 78.31 to the dollar, from 77.48 Thursday in New York. The pound was at US\$1.6210, from US\$1.6152 on Thursday. Late Friday, the euro was at US\$1.3132 against the dollar versus US\$1.2987 in New York Thursday, according to EBS via CQG. The euro was at Y102.90 against the yen, from Y100.68.

Oil futures climbed to a four-month high on Friday. Light, sweet crude for October delivery settled 69 cents, or 0.7%, higher at US\$99 a barrel on the New York Mercantile Exchange, its highest finish since 4 May. Brent crude on the ICE futures exchange settled 78 cents, or 0.7%, higher at US\$116.66 a barrel, according to Dow Jones Newswires.

Rubber Markets

The ECB's promise on 6 September to buy unlimited bonds from its struggling euro-zone countries, a positive hint by China's premier Wen Jaibao on Tuesday to allocate 1 trillion yuan for infrastructure spending, and a decision to launch another round of quantitative easing by the U.S. Federal Reserve on Thursday were the major positive factors, which pushed up rubber futures and physical rubber markets in Asia during

the week despite some profit-taking on Thursday.

These resulted in rises of natural rubber (NR) prices across the board on Friday, comparing with an earlier Friday.

IRCo's technical MACD and its Signal Line rose to stay in positive territory on Friday while its RSI also rose from 62.12% on an earlier Friday to 81.71% on Friday. These indicate that investors have turned to long positions, which will continue in the coming week.

Looking back to the current rubber environment, investor confidence has returned mainly due to the latest collective and aggressive moves to stimulate their economic growth by the ECB, China's government, and the Fed.

Meanwhile, the ITRC countries decided earlier to cut back NR exports at the target of 300,000 tons from October 2012 to March 2013. Global demand for NR from the tire and non-tire industries in the first eight months of this year still rose steadily whereas global NR supply was unlikely to rise as some forecasters tried to give their forecasted figures because erratic weather in Thailand and Indonesia in particular has slowed down NR production in these two countries during that period of time.

Please be informed that Thailand is now facing heavy rainfall across the country, including Southern Thailand, which is the major NR production area of the country. That will surely lower NR supply to domestic rubber markets in coming weeks.

After analyzing NR and non-NR factors, it is found that NR prices will remain on an uptrend further in the coming week.