Rubber May Drop to Lowest Level Since 2009: Technical Analysis

Rubber may fall to the lowest since 2009 by October, extending a bear market that started this month, according to technical analysis by research company JSC Corp.The 50-day moving average for the most-active contract on the Tokyo Commodity Exchange declined below the so-called cloud on Ichimoku charts this month, signaling futures will extend losses for another six months, said Takaki Shigemoto, an analyst at the Tokyo-based company. Rubber may drop below 205.6 yen a kilogram ($2,068 a metric ton), an almost three-year low reached in August 2012, he said.Rubber slumped into a bear market on April 1 as expanding stockpiles in China signaled easing demand from the world's largest consumer of the commodity used in tires. The country's economic growth slowed to 7.7 percent in the first quarter from 7.9 percent in the three months through December."I can't see any technical signs for the trend to turn around," Shigemoto said. "The market is also fundamentally weak as the low-production season in Thailand is ending, worsening oversupply."RCMA Commodities Asia Group raised its forecast for surplus in global supply by 62 percent to 353,000 tons on April 1, citing slower demand growth in China and Europe. The low production period, or so-called wintering season, normally ends in May in Thailand, the world's largest producer and exporter.In technical analysis, investors and analysts study charts of trading patterns and prices to predict changes in a security, commodity, currency or index. The Ichimoku chart analyzes midpoints of historic highs and lows, or so-called resistance and support levels, with a breakout from above or below the cloud pointing to a trend.Bloomberg