

2013 natural rubber investment strategy report

Abstract:

2012 Shanghai rubber was finished lower callback trend, in line with our expected early next year, and only differ slightly in volatility. January-early March upward pattern in the March 1, up to the highest point throughout the year to 29,555 yuan; early March in mid-August a downward pattern until August 14, a record annual low of 20,728 yuan from the specific trend; early August 15-10 Shanghai rubber end fell pattern appears wavelet ascribed pullback, but failed to break the 26,000 yuan and a line; latter part of the fourth quarter to around 24000-26000 yuan range wide sideways.

Overall, the 2012 natural rubber actual trend is consistent with the general direction and our forecasts. Annual report, we believe that there is a strong callback demand 2012 Shanghai rubber movements in the first quarter of the late show low after the high probability. In the semi-annual report, we have corrected the mid-term point of view, that have nearly gifted natural rubber without thought the second half of the year remained at 20000-26000 yuan range bound market performance in line with our estimate.

* Supply and demand pattern: We expect natural rubber supply surplus in 2015 will remain in the state, but will be slightly smaller surplus in 2013. Improved consumer side is the dominant factor of the price of natural rubber in the current stage. On the demand side, natural rubber consumption growth over the same period is expected to be slightly lower than the yield enhancement, but the surplus rate would be slightly narrowed. Long term, the supply and demand maintain growth pace to maintain the relative balance situation, in a relatively stable supply at peak cycle case, the consumer side of the main change is sensitive factor.

* Downstream consumer industries: by the drag of the European car market downturn, the annual increase in global automotive production in 2012 is expected to slow to about 2.9%. 2012-2013 U.S. automobile consumption continue regression to the 1500-1600 ten thousand level; European automobile market has formed bottomed probability, the European automobile market in the next two years the Reduce drag on the extent of the global auto market; moderate trends in the Chinese auto market will continue in 2013, production and sales growth is expected in about 4-8%. In addition, the emerging car market will become a market outlook bright spot.

* Synthetic rubber industry: We believe that the promotion of green tire, leading to the synthetic rubber industry, there are two prominent trends, namely: alternative solution polymerized SBR SSBR, emulsion polymerized styrene-butadiene rubber ESBR; neodymium polybutadiene rubber substitute cobalt Department, butadiene rubber, nickel-based. At present, the domestic solution polymerized styrene-butadiene rubber and neodymium polybutadiene rubber capacity lower. The future solution polymerized styrene-butadiene rubber and

neodymium Department butadiene rubber is a synthetic rubber industry development direction.

2013 natural rubber market is destined to calm the financial attributes and product attributes will be intertwined to influence the market. However, from the long and short elements expected global weak recovery and reform is expected to become China's largest market concerns, will likely moderate to dilute the negative pressure. Therefore, we believe that environmental improvement or driven by natural rubber fundamentals to form weak recovery situation, the price of natural rubber in after of Shenfudiao Zheng nearly two years after the bottom of the basic uncertain, late moderate probability of recovery is expected beneath 22000-23000 yuan strong support around 29,000 yuan above the resistance will also be obvious.

1. Natural rubber market review of the year 20121.1. Shanghai rubber market review 20122012 Shanghai rubber presents finished lower callback trend, basically in line with our expectations at the beginning of the year, only differ slightly in volatility. January-early March upward pattern in the March 1, up to the highest point throughout the year to 29,555 yuan; early March in mid-August a downward pattern until August 14, a record annual low of 20,728 yuan from the specific trend; August 15 to go up again in early October, there wavelet chonggao pullback, which was close to 26,000 yuan; around 24000-26000 yuan range in the mid to late 10 wide sideways. As of December 19, Shanghai rubber index closed at 25,226 yuan, the highest point during the year to the lowest point of maximum decrease of 29.87%. Specific trend is broadly divided into four stages:

Phase I: January Shanghai rubber break the the sideways shock interval the end of 2011, showed a strong rebound in demand. This wave of strong rebound continued until March 1, a record 29,555 yuan, which was close to the highest point of the year in late November 2010 and early May 2011 along the two fell interval. The stage or up to 25.76%.

Phase II: March 2 to August 14, Shanghai rubber 30,000 yuan integer off by a lot of resistance, lower volatility. July rebounded slightly but the fundamentals are vulnerable lead to downstream channel back in August, and hit the lowest point for the year of 20,728 yuan, approaching the lows of 2010 Shanghai rubber began to rise before the callback 20,364 yuan. The stage of a decrease of 29.87%.

Phase III: August 15 to October 11, Shanghai rubber a wave of a strong rebound. Magnitude more powerful than in July callback, October 11 record years of band time high point of 25,958 yuan, 26,000 yuan pressure barrier but failed to effectively break. The stage or up to 25.23%.

Stage IV: October 12 to the end of the year, the upward momentum Shanghai rubber slightly inadequate fluctuated around 24000-26000 yuan range, the trend is slightly on the strong side, 23,500 yuan above the performance of the strong support for the strong performance of the end of Onchocerca rebound, but always failed to break the 26,000 yuan integer relations.

1.2. Day rubber2012 market review

Day rubber in 2012, the basic trend consistent with Shanghai rubber was Xianyanghouyi, and then rebounded slightly, eventually a bit more range bound pattern. More volatility than Shanghai rubber the slightly stronger. Uplink pattern in mid-January to March, up 30.3%; downlink pattern of a drop of 39.7% in mid-August in mid-March; pulled back slightly in late August – October 5, 2011, or 34.1%; end of late appear strong move, breaking a 10-month high. As of December 19, the day plastic index closed at 284.2 yuan, the highest point during the year to the lowest point of maximum decrease of 39.77%. Specific phased to see:

The first stage: In early January, the trend of the Japanese rubber began pulled up, break the end of 2011, the bottom of the shock interval, the rally continue until March 14, 2012 and hit a high of 339.3 yen this year.

Phase II: March 15 to August 14, on plastic trend showing an overall downward pattern, although technically early July, a slight pullback, but due to the diversion of the fundamentals are weak pattern, on plastic eventually choose to continue down to 8 February 14, hit a year low of 204.2 yen. The stage of a decrease of 39.77%.

Third stage: from August 15 to October 5, the date of glue 34% band callback pattern callback high of 274.3 yen in 2010 glue began to rise before the callback low range. Mainly affected by the main natural rubber producing countries support policies, and global macro-easing policy to boost the role.

Phase IV: October 6 to the end of the year, on plastic was range bound, slightly stronger than normal pattern. Shock interval of 240-280 affected by the depreciation of the yen strong late rally, breaking the October 2012 highs.

Overall, the natural rubber market is slightly weak performance in 2012, summed up its internal characteristics. To Shanghai rubber, for example, on the one hand, volatility compared to 2011 changes. 2012 days amplitude over last convergence, single-day amplitude 1% -2% of the trading days accounted for 47.2%, while only 36.5% in 2011, more than 4% only 3.4% of the amplitude of a single day in 2012, while in 2011 as compared to 11.5%.

On the other hand, Shanghai rubber Day glue parity mean appear elevated. Since 2012 the ratio of long-term deviation from the mean, resulting parity mean rose to 89, the 2011 annual average of 85 in mid-December 2012, after the strong performance of the Japanese rubber, both parity appears regression, as of December 19, the two price ratio was 88.9, and have been very close to the mean.

2. Natural rubber viewpoint Review in 2012

Overall, the 2012 natural rubber actual trend is consistent with the general direction and our forecasts. Annual report, we believe that there is a

strong callback demand 2012 Shanghai rubber movements in the first quarter of the late show low after the high probability. In the semi-annual report, we have corrected the mid-term point of view, that have nearly gifted natural rubber without thought the second half of the year remained at 20000-26000 yuan range bound market performance has been largely in line with our forecast.

September natural rubber performance differences, but with my monthly report viewpoint presented is consistent with the semi-annual report viewpoint. August industrial policy efforts, our point of view is a bit cautious, and found it difficult to offset weak consumption and supply peak repression, so that the bottoms trend will continue. But after the macro and industrial policy than-expected, especially in Thailand through the purchasing and storage policy, macroeconomic policy, to form a joint force, natural rubber Chart rebound.

Trend of the fourth quarter, slightly weaker than we expected, mainly basic digestion producing countries to cut exports and purchasing and storage double positive superimposed driver market in September, October surface is relatively flat overall commodity market in October showed signs of fatigue form drag. The ANRPC increase annual production to increase the supply of heavy pressure, high inventories of natural rubber to suppress the formation of the spot price. In addition, the limited effect of the policy side, the domestic car to the countryside has not yet been cashed, and the United States, Japan, easing less than expected effect of market incentives, and the U.S. fiscal cliff and the European debt crisis unresolved, causing some inhibition on the market. The effect of a combination of factors, result in the fourth quarter, slightly stronger than natural rubber showed only rangebound pattern.

3. Global natural rubber supply and demand balance analysis

The natural rubber industry chain is not long, but show different properties due to supply and demand side, resulting in a slight lack of stability of supply and demand balance. First, natural rubber long cycle growing crops, supply elasticity is relatively small, but natural rubber have the attributes of agricultural products, and therefore affected by the weather and local abnormal weather may lead to the production impact, extreme weather or less, so overall supply is fairly smooth; natural rubber downstream automotive industry with a strong industrial properties, but also influenced by the macroeconomic cycle, the downstream consumption volatility is even more obvious, easier transition leading to a balance between supply and demand.

3.1. Rubber supply and demand remain in the cycle off

From the historical data, the pattern of supply and demand of natural rubber in the before and after 2000 there have been large changes, most years before 2000 natural rubber market is in a state of oversupply is not obvious, but the supply and demand surplus. Basically followed in 2000 after nearly 10 years in a tight supply-demand equilibrium, two obvious supply and demand pattern reversed in 2006 and 2008, the former

main production surge, while the latter is mainly due to the financial crisis under rubber consumption shrinking dramatically.

Natural rubber demand in the past 20 years, the basic maintenance of long-term upward trend, an annual increase of basic maintenance around 4%, of which 90% year demand growth in 2000 to the tech stock bubble in 2001 and 2008 to 2009 alone the global financial crisis representing a slight decline. Look at data from the past 10 years, the main driver of growth in demand from car sales brought about by the rapid economic growth of China and other emerging economies continue to improve. Natural rubber consumption improvement mainly from the drivers of economic growth; addition, the volatility of the price of gasoline will affect the consumption of the car, particularly evident in the U.S. market. From a situation of the past three years, in addition to the 2010 natural rubber demand quick fix, the next 2 years, the growth rate of consumption of natural rubber overall slow global economic downturn and the rapid rise in gasoline prices over the same period are the main factors.

Natural rubber as only natural products, chemicals supply chemicals long production cycle characteristics, but also has the agricultural products in the production characteristics of the short-term adjustment difficult. Therefore, in the past 20 years, small changes of the natural rubber supply, the standard deviation of output growth was only 4.3%, lower than the 4.6% of the demand, but also much lower than the other chemicals. Driving factors of the natural rubber supply point of view, the past 20 years, in addition to external factors such as policy and resources, the demand and price are the main factors affecting the yield change. Supply trends from the past 10 years, from 2004 to 2006, prices continued to promote the rapid growth of the rapid promotion of the natural rubber acreage in 2006 to 2008, calculated in accordance with natural rubber planting period of 5 to 7 years, 2011 to natural rubber production capacity to focus on the release of Year 2015, which is also in line with actual production data. State of natural rubber in 2011 to 2012 with an annual output capacity focused on the release and the same period demand growth has stagnated, the natural rubber in the past 2 years within the past 10 years by the previous long-term supply tight balance into surplus supply and demand, the supply and demand surplus proportion more similar to about 1996 to 2000.

3.2. Natural rubber supply and demand analysis

The lower the price elasticity of demand: The main use of the natural rubber for the tire and automotive industry, tire lower proportion of the cost of vehicles, so the lower the price elasticity of consumption. Change the correlation of the fluctuations in the price of natural rubber and yield of around 50% in the past 20 years, and basically do not have a significant correlation degree; However, overall demand showed some cyclical, had a strong correlation with the macro cycle.

Capacity growth has inertia: natural rubber main producing countries and regions more to agriculture as a major industry, the general policy

will tilt from historical data, natural rubber production capacity, that is, the growth of the planted area has a strong inertia generally maintain a similar growth rate in the 3 to 5 years of industry cycle.

Difficult to adjust short-term production: the cost of natural rubber cultivation is mainly in fixed investment, and low variable costs; put into operation after the new production marginal cost is close to zero, while the demand for lower consumption elasticity; However, due to the natural rubber supply monopoly is relatively low, the major rubber producing countries is difficult to adjust market supply by controlling the production, Therefore, even if the demand is weak, short-term natural rubber production is difficult to effectively adjust.

3.3. 2013 supply surplus narrowed slightly

We expect natural rubber in 2015, will remain in the state of the supply surplus, but surplus in 2013 will be slightly smaller. From a supply-side perspective, is still in production capacity concentrated release period 2003-2012, an average annual growth rate of 2.49% for natural rubber acreage; during the period 2006-2008, the year-on-year growth rate of the surface of natural rubber cultivation in 2011 in 3-4%, more than the historical average, based on natural rubber planting cycle, we expect that within the next three years will continue in the trend of rapid growth in production. End from the demand point of view, based on our macro group for the next five years, the global economy will enter a low-speed development of the overall outlook natural rubber consumption growth over the same period is expected to be slightly lower than the yield enhancement, but the surplus rate would be slightly narrowed, mainly due to the growth in demand will be slightly higher than in 2012.

Long term, the supply and demand maintain growth pace to maintain the relative balance situation, in a relatively stable supply at peak cycle case, the consumer side of the main change is sensitive factor.

4. Natural rubber upstream industry review and outlook

4.1. Natural rubber supply chain overview

Natural rubber is a typical resource constrained, the more stringent requirements of the natural conditions of the geographical environment, soil, climate, humidity, high temperature, high humidity and calm wind, fertile soil, therefore, suitable for the growth of natural rubber area is concentrated in a few tropical countries, in theory, are mainly distributed in less than 15 degrees of latitude north and south, due to the constraints of the natural conditions of the world's natural rubber acreage increased from about 3.9 million hectares in 1961 to 11.23 million hectares in 2012, an average annual growth of only 2.3% or so.

Relatively inelastic supply of natural rubber, natural rubber is a long-term crops, planting 5-7 years to start tapping, tapping period of 25-30 years, production in 2012 from about 210 million tons in 1961 and 11.44 million tons in general The annual increase in 2011 before fluctuations mean average annual growth rate of around 3%, while the last two years, the growth rate increased in 2011 and 2012, an increase

of 8.7% and 5.8%, respectively.

4.2. Natural rubber the upstream industry production regional structure analysis

Natural rubber producers concentrated in the Southeast Asian region accounted for 90% of the world acreage, producing countries including Thailand, Indonesia, Malaysia, India, China, Vietnam and Sri Lanka, Thailand, Indonesia and Malaysia, the area under cultivation, accounting for 70%.

The past 10 years, the development of the three main producing countries are also some differentiation, the average growth rate of Thailand was 4.5%, Indonesia 0.4%, and -1.4% in Malaysia, therefore, lead to the production in Indonesia in recent years to replace Malaysia bits ranked second, and even India, Vietnam is also close to the production levels in Malaysia.

In addition, Africa, Burma, Cambodia, Laos in recent years, the rapid growth, an increase of over 10%, and northeast Thailand, northern begin development of a larger area planted large processing plants are turning to investment in plantations.

4.3. Natural rubber the upstream industry production mode analysis

Basically be divided into two major parts, glue production and processing of natural rubber production chain to produce two links, while Thailand has a huge two providers, therefore, can usually be understood as three parts.

Rubber plantations, mainly from tapping rubber number, global rubber plantation basic mainly small rubber plantation, accounting for 80-90%, only China is concentrated in two major land reclamation, accounting for 50%, but after the reform of Yunnan Agricultural Reclamation also decentralization of Hainan State Farms accounting for about 30%; tapping certain cyclical, Yunnan, China general in early March to early December, Hainan, at the end of March to the end of December, the production peak in May-October; Southeast Asian low-yielding period February to May, the peak period of July to December.

Two suppliers, the equivalent of traders, the privatization of 90% due to Thailand rubber plantation, scattered in thousands of families in the hands of the rubber farmers, resulting in raw materials are too scattered, combined with the rubber farmers hoarding capacity is limited, two providers have emerged, two providers The annual trading volume of over one million tons in Thailand.

Processing plants, natural rubber into circulation usually latex or rubber, rubber plantation production of glue to processing factories into circulation. Global rubber processing plant is expected to nearly 500; 145 Indonesia; Thailand more than 100; Malays about 40; 40-50 over China. Hainan, Yunnan Agricultural Reclamation, Sinochem International, Guangdong Nongken rubber processing plant in China, combined with advanced, of Shanghai Giant associated private factories.

4.4. Natural rubber upstream industry exports

Both major producing countries in Southeast Asia, is also a major exporter, from the structure of the world's natural rubber exports to Southeast Asian countries, exports accounted for about 90% of the proportion of the world's total exports, but also in Thailand, Malaysia, Indonesia's exports to the three countries accounted for total global 70-75% of the export volume, but some producing countries an increase in demand, the export situation is also undergoing some changes, net export volume to reduce the situation in Malaysia and India, Vietnam exports come from behind in 2011, accounting for 10%.

4.5. Natural rubber the upstream industry technology development level analysis

Technological processes of the natural rubber industry is relatively mature, the development of certain bottlenecks, there is also a certain differentiation. Natural rubber upstream technology development is focused on two production: planting links focused on the increase in production, processing part of focus in terms of quality.

Strains of optimization and tapping technology to improve focus on the growing links in the optimization of the varieties that cultivate high-yielding, early open cut, wind, disease and natural disasters such as the ability varieties. But also a longer cycle natural rubber is a long-term crops, cultivation of new varieties developed technology advancing is relatively slow; although in recent years some of the glue amount of include ethephon other chemical supplies to stimulate the use of improved, but never been able to fully resolve therefore with to damage to the gum trees.

More focused on management and training, it is difficult to form a qualitative breakthrough in tapping the technical aspects, in recent years, it is learned, Malaysia and other countries try to explore the direct stimulation of ethylene gas micro-cutting technology, improve labor efficiency at the same time, to reduce the amount of consumption of leather rubber tree help dead skin tree complex cut, thereby enhancing the the gum forest long-term production capacity and reduce costs, but also the fresh results.

In the processing sector, the main direction of the development of technology for the needs of downstream users, on the basis of standard rubber to produce a variety of special rubber production processes to reduce downstream customers. In addition, research, the use of different additives, performance is also one of the direction of the main technical development in the field to improve rubber products.

In addition, because of differences in technology and the natural conditions of production glue country's yield difference of nearly 10 years, India, Indonesia, Malaysia, Sri Lanka, Vietnam, the Philippines presents significant growth, in 2012 compared to 2003 in Sri Lanka yields upgrade nearly 50 %, Indonesia and the Philippines to enhance also reached 37%, but China, Thailand and Cambodia yields almost stagnated and even declined slightly.

4.6. Analysis of natural rubber upstream industry

Natural rubber prices experienced over 2002-2006, and 2009-2010, the two sharp rise in natural rubber planting effectiveness to attract the accelerated expansion of acreage in recent years intensified global scramble for resources, natural rubber is an important strategic resource raw materials, demand growth under the Forced-producing countries also continue to expand production, resulting in 2011 to enter the supply peak cycle, approximately 11.1 million tons of global production in 2012 is expected to continue to dampen demand, coupled with the financial crisis since 2008 the improvement, and ultimately makes the upstream supply presents a relaxed situation. From ANRPC the data show nearly 120 million tons of natural rubber stocks in 2012, reaching a new high in recent years, therefore, in this context, natural rubber producing countries forced to introduce measures to cut exports and moderate cut production.

From the production structure, Thailand is still the largest producer and exporter. In addition, from the upstream processing sectors, excess capacity is more serious, global natural rubber processing overcapacity According to preliminary statistics, about 25%. Although the three Southeast Asian countries accounting for 70% production, but there is no natural rubber pricing, pricing center for natural rubber the three trading market in Japan, Singapore and China.

4.7. Natural rubber industry development forecast upstream

Consider the importance of the strategic resources from the perspective of the planting rubber plantations or processing plants in Southeast Asia will become a non-tropical regions of the development goals of the country, therefore, the future of the global natural rubber acreage will continue to maintain a steady growth in technology can not break through the case, it is expected that the global supply will be steady growth, it is difficult to appear improved by leaps and bounds, according to the IRSG forecast 2020 global natural rubber production will reach about 16.5 million tons.

Vietnam there are still a large development space, retaining its position as the world's third big rubber producing country in the future from the point of view of the structure of production, it is expected that, in the case of palm oil to compete for Malaysia share gradually decline; China because of geographical reasons, expansion space is limited.

From a processing point of view, it is expected that the differences in the level of excess capacity and production technology, the future is bound to lead to the situation of the implementation of an integrated, eliminate backward processing plant will be the trend of the times.

Producing countries from competing for the pricing aspects presented enhance processing capacity demand, increase tire factory in Thailand introduction, I hope to get some balance in supply and demand, which compete for greater pricing power.

5. Natural rubber downstream industry analysis

Downstream of the natural rubber consumption chain and not too long, the tire industry consumer end of the main natural rubber, accounting

for 70% of the total global natural rubber consumption; the galoshes, wire and cable, respectively, accounting for 8% and 10%.

From nearly 10 years of natural rubber regional consumption structure analysis, Asia is pulling the main power source of natural rubber consumption growth. , Chinese natural rubber consumption accounted for 37% of the total consumption of the world's natural rubber, natural rubber imports accounted for the world's natural rubber exports 35% of the total, is the world's largest natural rubber consumer, importing countries. The world for the past 10 years about 60% of the new natural rubber demand from China's growth, since 2001, China's basic needs to maintain normal growth; However, car ownership in China is lower than in Europe and the United States, and therefore is not a major consumer of the tire, The tire industry is export-oriented industries, will also be a greater impact of the external environment, the economic downturn in Europe and America, the automotive industry has been hit hard in the financial crisis of 2008, Chinese tire exports and natural rubber demand is also down significantly.

However, starting in 2010, China's natural rubber demand growth gradually toward the inward-looking change, on the one hand, the slow growth of the economies of Europe and the United States, personal consumption weak drag on its automotive and tire needs the same period in Chinese consumption continues rapid growth; On the other hand, the global trade policies tend conservative, tire case of special protection and the upcoming implementation of the labeling law are to some extent inhibited the Chinese tire export. We expect that within the next five years, the proportion of China's tire exports will continue to further reduce the car and tire sales growth in China will become a natural rubber consumption growth endogenous motivation.

Based on our macro group and metal group is relatively optimistic expectations of a global economic recovery in 2013 and the growth of China's auto consumption, we believe that the world's natural rubber consumption in 2013 is expected to slow to restore growth, China is still the main driver, U.S. auto sales quickly upgrade enhance the natural rubber demand, Europe is still the biggest uncertainties. According to IRSG expected, the global natural rubber consumption in 2013 was approximately 11.7 million tons, a year-on-year growth rate of 4.5%.

5.1. Global automotive industry analysis

Overall, the global automotive industry to maintain a 3.6% annual compound growth rate of vehicle production in 2005 to 2012 showed a rising trend. In phases, the development of the automotive industry and the economic environment has a high degree of correlation. The impact of the global financial crisis in 2008, the automotive industry downturn, vehicle production declined for the first time in 2008, the 2009 car production hit a 7 years, the lowest value; 2010, the automotive industry is getting into the recovery phase, production recovered to 77.609 million, an increase of 25.8 %. In 2011, car production increased by 3.2% to 80,092,800, and recovered to the normal level of development.

From global automotive production area structure, presents the trend more pronounced shift from west to east in the nearly 10 years since, about 80% of production in the automotive machining for the low-end manufacturing sector since 2005, global automobile production is beginning to show in Asia, Europe and North America the “three pillars” of the situation, the three market share accounted for 39.6% of the global market share of 30.3% and 24.2%, respectively. 2009 Asian car market share rose to 52.6 percent, ranking the world’s largest auto market fell to 26% and 14.1% respectively in the same period in Europe, North America market share. In 2010, the four vehicle power production in the United States, Japan, Germany and France share fell to 30%. However, from nearly two years of national policy-oriented point of view, Europe and the United States manufacturing sector showed some reflux trend or a certain impact on the distribution of automotive processing.

At present, the global automobile market is moderate growth period, and we think it was mainly dragged down by the European auto market downturn, as well as the impact of the global economic slowdown. Expected annual increase in global vehicle production in 2012, slowing to 2.9%.

Future trends, the development of the global automobile market will enter a transition in 2013. Mainly in emerging countries will become an important global automotive market, the market share of European and American veteran automotive powerhouse gradually shrinking. Is expected in the next 3-5 years, the pattern of global automotive production will shift to emerging markets “thriving”. The data can also be seen in 2018, China, India, Brazil and Russia will dominate the world’s major auto market forecast from LMC.

5.1.1. European and American automobile industry development

5.1.1.1. American automotive market development analysis

From the analysis of the development, we found that the U.S. auto sales and GDP data showed a significant positive correlation.

The U.S. auto industry and consumer constitute the main driving force of the U.S. economy, the proportion of about 12% in 2011. The United States is the high debt countries, the economic growth rate will directly affect the consumer, thereby affecting the demand for cars and tires, we found that the U.S. auto sales and GDP data showed a significant positive correlation.

Sharp dive look at data from the past five years ,2008-2009 U.S. GDP data, the significant downturn in U.S. auto sales during the same period, the year decreased by 18%, from 21.4% to 13,493,000 and 10,601,400, fell to the lowest level in nearly 20 years . 2010, following the rebound of GDP, the United States auto market started to recover, car sales year-on-year growth of 11.5% in 2009 to 11.96 million, ending four consecutive years of declining trend.

From automobile production and sales structure analysis, 2012 young car 40% (including cars, light trucks 57%) production accounted for

97% of the total production of the car, indicating the development of light vehicles direct impact on the overall development of the automobile market in the United States.

From the current analysis, we believe that the United States auto market in 2012 in a modest recovery phase.

First, the U.S. auto production and sales models and monthly tracking, the judge basically decided in the U.S. auto market growth in 2012. The reasons are the following:

A monthly consumption season performance dominated the automobile market performance for the whole year. U.S. light vehicle sales monthly data over the years, throughout the year, consumer highs in March, May, August, and December. March 2012, May, August light vehicle sales ring than the increase amounted to 22%, 13% and 11%, respectively, the previous period growth estimates, we initially expected auto sales is expected in December rose 12.5% year-on-year.

Second, from the whole year, the U.S. light vehicle production increased by more than 10% in 2012. In November 2012, U.S. light vehicle sales of 1,143,916 vehicles, an increase of 15.0% in January-November, the cumulative U.S. light vehicle sales of 13,136,306 units, 11,535,196 units compared to the same period last year, a year-on-year growth of 13.9%, according to the November sales rate as well as the historical increase projected 2012 annual sales in the U.S. auto market will reach 15.56 million, second only to January 2008 15,590,000.

Third, from the situation of the three major U.S. automobile manufacturers (GM, Ford, Chrysler), the three major car dealers 2012 production was the general upward trend. The three car dealers, car production share of U.S. auto production rose more than 80%, accounting for up to 89.5% in 2011. As of November 2012, the production increase, the largest Chrysler rose, up 21.37%; GM and Ford rose 5.1% and 3.9% respectively.

Looking ahead, based on the optimistic expectations of our macro group of U.S. economic growth, we believe that the U.S. auto market in 2013 to continue to maintain a good momentum of recovery is a high probability event, but the government and the personal sector deleveraging will weaken this process. U.S. car sales growth and GDP growth has a linear relationship, based on our macro group on the expected level of 2.3% of the U.S. economy, we estimated that the the 2013 automobile consumption in the United States will return to the level of 1500-1600 ten thousand, in the car in the next 1-3 years sales are expected to return to a level of 16 million, the proportion of U.S. auto production will continue to improve.

5.1.1.2. European car market situation analysis

From the development of structural analysis, we believe that the trend of European automobile market and the manufacturing sector PMI new orders index showed positive correlation.

Phased June 2008, the manufacturing PMI fell below 50%, to April 2009, the European manufacturing PMI has been in a less than 40%, the lowest level in seven years, and nearly 20% decline in European car registrations for the same period . European manufacturing industry in the second half of 2009 showed a relatively strong recovery momentum, manufacturing PMI for the first time in October of the same year a return to the Coorong online, by 50.7%, to February 2011, the highest value of 59%, seasonally adjusted European new car registrations in March value of 95 or more. Since then, the manufacturing PMI and new orders both moving lower, European manufacturing PMI data as of November 2012 was 46.2%, the number of new orders presented negative. Compared the same period in the automobile market situation, the 2010 European car sales fell 4.9% year-on-year, to 13.8 million, in stark contrast with the same period in the global auto market growth rate of 25%.

From the current analysis, we believe that the downturn trend in the European automobile market in 2012.

The global automotive market recovered in 2010, with the exception of the European market distressed and still no signs of improvement in 2012. European new car registrations data show that from January to November, passenger cars, commercial vehicles, the average monthly registrations fell by 7.02% and 9.91% respectively. Reference to past changes in the market trends, our initial estimates, annual new car registrations in Europe decreased by about 10% year-on-year in 2011, will increase by 6.5% this year, global automotive production runs counter to.

By country car sales in Germany, France, Britain and Italy, respectively, accounting for 23.6% of the total car consumption in the European region, 16.03%, 16.52% and 10.8% respectively, can be seen as a microcosm of the European automobile market changes. Overall car sales in four countries and new car registrations in 2012 showed a certain degree of weakness, the countries auto market analysis can be found in the following characteristics:

2012 German auto industry contraction, compared to France, Italy and more stable.

From the German manufacturing performance, began in July 2012 in German manufacturing PMI rebounded slightly, to the German PMI for November was 46.8, while the euro zone to 46.2, the German manufacturing performance was slightly stronger than the euro zone PMI.

From automobile production and sales data in Germany, the German car production and sales in 2012 year-on-year decline. January to November, the German car production and sales compared to the same period in 2011 decreased by 7.3% and 2.1%. We believe that, in the context of the European debt crisis and the European market as a whole has shrunk, compared to the European passenger car overall 9.9% decline in 2012, the overall decline of the German car market is relatively small, a more stable form of.

Looking ahead to 2013, we believe that the overall decline of the German new car market sales could reach 6.5%, or 2.9 million, while car sales are expected to be flat this year.

The British automobile market in 2012 a slight growth.

Manufacturing PMI data from the UK and the euro zone PMI data comparison, the situation in the UK manufacturing sector overall compared with the overall trend in the euro area, consistent, slightly better performance degree. 2011 the beginning of the debt crisis in Europe, the British car production 1,344,810, an increase of 5.8%, higher than the 3.2% growth rate of the global automotive market.

See ,1-passenger car sales in November rose 5.43%, to 1,921,052 units; passenger car sales up by 11.74% to 3,579 vehicles; trucks sales only fell 5% to 265,959 vehicles from the 2012 British car data. From the monthly data, we found that the UK new car registrations have very obvious seasonal peak in March September. Car registrations in March 2012 and in September year-on-year growth of 0.8% to 7.3% in January-November average monthly year-on-year growth of 4.3%, indicating that the development of the British automobile market better.

Looking ahead, we believe that, despite the drag of the European debt crisis still exists, but the British auto market a slight advantage due to their own, making 2012 the situation slightly optimistic compared with other European countries. Initially, we expected that the overall automobile market in 2012, or 1-2% gain.

In 2012, the French automotive industry is growing in the doldrums, the latter situation is more worrying.

From the development of structural analysis, we found that after 2010, the French auto industry contraction, reflected in the overall downward trend in new car registrations in 2009-2012. See phased in 2009, the French car industry is relatively boom; growth slowed in 2010, car sales fell 5%, the sales volume of less than 2.2 million. French car production in 2011 was 2,000,000, accounting for only 3% of global output.

Data compared with the same period in new car registrations in the ring than motor vehicles, trailers and semi-trailer manufacturing index both changes in trend analysis, from the status quo. French automobile manufacturing in 2012 year-on-year data dropped to below zero, the ring than the end of October 2012, the French motor vehicles, trailers and semi-trailer manufacturing index, dropped to -4.75% and -16.02%, respectively, year on year. Car sales drop 13.8% to 1,738,446 units in January-November 2012, cumulative sales decline for 11 consecutive months.

Looking ahead, we predict that France in 2012 sales will decline 10%, the level of less than two million. The growing trend of contraction of the French automobile market with the debt crisis, and no signs of improvement in the short term. Is expected that by 2015, the French car production will be reduced to 2% share of the global share,

Italy in 2012, the decline in the automotive industry is very obvious, is expected to post difficult changes.

From the development of structural analysis, the higher levels of the Italian car market downturn. One hand, reflected in the 2009 Italian manufacturing PMI trend a long period under the euro zone manufacturing PMI. The other hand, is reflected in the Italian car ownership growth

is slowing down to 2011, the growth rate of ownership is less than 1%, car sales of about 160 million, lower than the mean of 4 years.

Analysis from the status quo, the Italian car market is in deep crisis. Compared to the same period in 2011, new car registrations in Italy in 2012 decreased by 18%, from the registrations, 1-Italian new car registrations in November fell 19.72% to 1,314,868 vehicles.

Looking ahead, we believe that the Italian market in 2013 remains difficult changes.

Late outlook, based on our macro group of the European economy is expected to resume moderate growth expected, we think that the European auto market overall probability has formed a bottom.

To the infinite amount of sterilized debt purchase plan to help restore market confidence, and the EU signed a free trade agreement with Japan, the overall car market in Europe in 2013 or suspend continue in a downward direction. Therefore, I judge that the European auto market in the next two years the Reduce drag on the extent of the global auto market.

5.1.2. Emerging countries in the development of the automotive industry situation

Analysis from the development stage, the emerging markets, the automotive industry has experienced from low speed to high speed, to the stage of stable development.

Phased look from 2000 to 2006, emerging markets accounted for less than 20% of the global passenger car market share to lower the pace of development and limited influence on the global auto market. In 2010, the global automobile market is entering a recovery phase, mainly driven by emerging market countries. For example, China's vehicle production in 2010 increased by 32.6%, the total output of the first in the world; Brazilian automobile production in 2010 increased by 11.9%, to become the fourth-largest auto market. The resulting direct result of the emerging national car market share in 2011 rose to 51%, but the growth rate declined in 2012.

From the current analysis, we believe that emerging markets slightly smooth stage in the rapid development of the automobile market.

The reason why the pre-car sales in emerging markets rapid growth, we believe that on the one hand because of the large-scale consumption potential of emerging markets, overall economic trends, on the other hand, due to the emerging market countries, the introduction of stimulus automobile production and sales role in promoting. For example, China's energy-saving car subsidy policy and small displacement car purchase tax incentives, which greatly stimulate automobile consumption. Brazil, relaxed credit system makes about 16% of Brazilian consumers to be able to afford to buy a new car, after the proportion was only 10%.

Looking ahead, we believe that emerging markets in the financial crisis will again show a relatively high-speed growth pattern is expected late in China, India, Brazil and Russia will dominate the world's major auto market. According to the LMC the emerging national car market share in 2015 is expected to reach 55%.

5.1.2.1. China's auto industry development

Analysis from the stage of development, the rapid development of China's automobile industry, the average annual growth rate of more than 25% in the years 2001-2011, only 2008 and 2011, the growth rate of less than 5%. Began in 2011, China's auto industry is slowing down, the same period in the production and sales increased by only 0.8% and 2.5%, respectively, in 2005, the growth rate to low.

From the period of performance of the automobile production and sales, we found in China's auto market consumption season in 1,3 months each year and the fourth quarter the seasonal auto consumption off-season of the year usually in February, July saw the lows.

Analyze automotive consumer type performance, we found that passenger car sales the highest proportion of the total automobile production and sales. 2005 to 2008, the proportion of passenger cars and commercial vehicles were 75%, 25%; 2009, passenger car sales accounted for more than 80% compared to commercial vehicles accounted enhance more limited.

Analysis, 2012, China's automobile market is still showing steady growth. January to November 2012, the National Automobile amount of production and sales, respectively, 17,486,200 and 17,493,500, an increase of 4.46% and 3.86%. The sales of slightly more than the production in the auto companies continue to reduce production, lower than the actual market sales, the inventory problem is expected to be eased gradually. Nov. single month sales ring growth exceeded 10%, the same as in previous years, the trend, in line with the laws of the seasonal consumption season.

The sub-models look, 2012 the first 10 months of commercial vehicle production and marketing chain has been in negative growth in November commercial vehicle production and marketing chain growth, but as a positive signal, means that the auto recovery is more support. Market segments, the concern is that the SUV market, November, sport utility vehicles (SUV) sold 189,200, a growth of 15.23% year-on-year growth of 18.02%; sport utility vehicles in January-November (SUV) sales of 1,793,300, an increase of 26.26%.

Looking ahead, based on our macro group expected volatility on the bottom of the Chinese economy, we expect in 2013, the Chinese auto market this modest trends will continue, automobile production and sales growth rate of about 4-8%. The model point of view, SUV or will become a major driver of growth in the future of passenger cars.

5.2. Global tire industry analysis

From the development pattern analysis, the pattern of the global tire industry is more stable.

In 1996-2011, the global tire industry ranked the market share of the three enterprises has remained at more than 40%, while the income share of the industry before the 75 strong has remained at 96% -98%. 2011 industry top three Bridgestone, Michelin, Goodyear occupy a market share of about 46.7%, about 69% of the market share of the 10 companies in the industry, the tire industry market concentration.

In terms of regional distribution, the global tire market pattern dominated by the leading enterprises in Japan, the United States, France and South Korea.

Japanese enterprises operating income accounted for approximately 25.7%; followed by France and the United States, the two business accounted for 15.4% and 14.6%, respectively. Corporate look, first, Japan Bridgestone 2011 operating income accounted for 16.7% of the total of 75; French Michelin ranked second in 2011, operating income accounted for 15.4% of the total 75; Third name Goodyear business accounted for 11.6%.

From the development trend, we believe that the tire industry trends are mainly reflected in two aspects. The tire industry from the Bias pattern tire radial tire conversion growth of the in developing countries radialization rate will speed up. Second, energy-saving, noise reduction, safety, environmental protection, green tire to become the new direction of development of the industry, the introduction of European tire labeling law, is expected to dominate the direction of development of the green tire in a longer period of time.

Looking ahead, we believe that the pattern of the global tire market will maintain the status quo, the With global macroeconomic rebound, the tire industry will be the first to benefit from the investment in fixed assets and increase traffic, green tire is the rapid development of the tire industry leading product segments.

5.2.1. Chinese tire industry

From the development pattern analysis, tire companies in China the number of small-scale, single export market structure.

China is the world's tire production superpower, the total output accounts for about 1/3 of the world tire production. Phased to see from 1998 to 2010, China's tire production stage of rapid development, except during the 2005, 2008 China's tire output growth of about 5%, the average annual growth rate of the rest of the year at 19.7%. Significant slowdown in China's tire output growth after 2011, the year on year growth fell to 6%, the slow growth period.

See from the scale, in 2011 the Chinese tire companies in the global top 75 companies accounted for 24, a large number of enterprises, but the scale of strength is weak, the main products in the low-end. Accounting for 32% of the number of Chinese enterprises from 75 top global tire

enterprises operating income situation, the 2011 finalists, total operating income amounted to \$ 20.085 billion, less than an operating income ranked second French Michelin tire.

Analysis of China's tire exports, tire exports accounting for export markets with certain characteristics. First, exports accounted for the proportion of total production declined. Tire exports accounting for total output of nearly 60% in 2009. The proportion of exports suddenly dropped to 45.6% in 2009; 2010, a substantial increase in the domestic tire production in 2011, but the proportion of exports only rebounded slightly to 47.41%, 48.07%. Analyze the reasons, we believe that on the one hand due to the special protective case led to Chinese exports, open up new markets overseas surviving a certain lag; On the other hand, due to the rapid development of the domestic auto industry led the growth in consumption of the domestic tire.

Second, the United States is the major regions of China's tire exports, China is the primary source of U.S. tire imports. Phased look after the implementation of the special protective case in 2010, the proportion of steep drop to 15.81%, 2009, Chinese tire imports accounted for U.S. tire proportion of 25.25%; Case of special protection during the implementation, the China tire accounting the tires share of U.S. imports fell from 18% in 2009 to 12% in 2011, while total U.S. passenger car / light truck tire consumption in 2009 and 2011 has increased by 12% to 270 million . In 2011, the proportion of domestic tire exports rebounded slightly, which accounted for a larger proportion of U.S. imports recovery. We believe that the U.S. market demand to expand the results, the U.S. auto market in 2010 into the recovery phase, will be expanded on tire demand, the increase in demand has weakened the impact of the special protective case.

The European market accounted for a slight increase, but the overall small-scale. Data show that from 2009 to 2011, the tire of China's exports to the EU accounted for the proportion of the total tire exports were 15.15%, 16.31%, 18.43%, the amount of exports rose annually, accounting for 16.17%, 17.24%, 19.56 %.

Analysis from the status quo, the development of China's tire industry slowdown in corporate profit and loss situation slightly improved.

In 2012, China's tire exports accounted for a total production of less than 50%. From production in 2012, the only 2,3,6 months year-on-year increase of over 10%, increase in other months are below 10%, highlighting the tire industry presented must destocking process.

Tire export side, the end of the special protective case, on the one hand, the domestic tire exports constitute signs of getting better and better. As of October 2012, China's tire accounted for the proportion of the U.S. tire imports rose to 36.6%. On the other hand, constitutes a good semi-steel radial tire production enterprises. Because, the special bonded for passenger and light truck most of the corresponding semi-steel radial tire According to our previous analysis of the passenger car and light truck tires can be speculated that the total demand accounted 91%.

Regarding operations. Tire industry growth to slow down, but profits rise. Financial data analysis, the end of October 2012 the total assets of

the tire industry was 332.4 billion yuan, the growth rate dropped to 10.39%; compared to 201 17.99% year-on-year growth, significant decline. January to October 2012, the tire manufacturing industry total sales revenue of 384 billion yuan, a year-on-year growth of 11.58%, an increase of 30% lower than the same period last year; total profit of 21.657 billion yuan, a year-on-year growth of 48.24%, an increase of 19.57% more than the same period last year. The third quarter of 2012 gross margin year-on-year increase of 12.92%, 9.95% higher than the same quarter last year. Corporate profit and loss situation continued to improve slightly, WIND's data show that in October, the statistics of the 527 tire manufacturer, a loss of 58, accounting for 11%. Overall, a slight increase from last July, the total number of tire companies, beginning in February of this year, the proportion of loss-making enterprises show a slight downward trend in August, the proportion of loss-making enterprises reproduction looked up, the overall loss for the state of the tire industry limited improvement. Analyze the reasons, we believe that is weaker than last year due to natural rubber overall this year, which makes the tire to lower the cost of doing business, but the weakness of the global consumer, a drag on corporate profits and income growth.

From the analysis of listed companies, S Jia Tong, Sailun shares, Qingdao Double Star and ST the Huanghai have a large scale semi-steel radial tire production capacity, and the capacity of the shares of Double Coin, Aeolus Luntai A, are basically all-steel meridian tires. Qingdao Doublestar semi-steel tire export markets, mainly in Europe and Southeast Asia. Semi-steel tire exports ratio Sailun shares of 90%, of which exports to the U.S. accounted for 30-40% of the first half of 2012, the company exported 4.09 million radial tires, total tire production ratio of 83.55%, semi-steel tire production was 3.85 million 78.62%, accounting for the proportion of tire production. The end of the special protective case makes semi-steel radial tire production capacity and exports were higher proportion of the company will be the main beneficiaries. Regain about 30 percent of the U.S. import market, according to our semi-steel tire corresponding to the passenger car / light truck tire increments of about 50 million, equivalent to 26% in 2011 China's total exports of 193 million.

Expectation, we believe that demand is the main driving force of the industry rebound limited influence of European labeling law.

Accompanied by the expiration of the tires safeguard, tire production certainly picked up momentum. Expected growth rate of 8%, China's tire output of around 900 million in 2012, the tire export share of about 44%.

The export side, we believe that in 2013 after the United States stopped to impose special tariffs, domestic passenger car tires and light truck tire exports to the U.S. will be a significant growth. The European market, the implementation of the first phase of the labeling law, the extent of the impact of China's tire exports, or less than 2% of the global perspective, labeling law fundamentally no qualitative impact of global consumption of natural rubber situation, such as the case of special protection as more psychologically investors have an impact, but has little effect on global supply and demand of natural rubber.

5.2.2. Supporting tire with the tire replacement market analysis

Car tire market is divided into supporting tires, replacement tires two categories, global perspective, supporting tire and tire replacement market share averaged 25% and 75%, tire replacement is the main consumer market of the tire. Different models in different countries, two tire market share of different, in general, the developed countries with economies in replacement tire market share is higher than the replacement tire market share in emerging countries. Passenger cars and light trucks, for example, the proportion of tire replacement market of Europe and North America up to 79%, Asia only 56% of the tire replacement market; two areas of heavy truck tire replacement ratio is closer to 76% -78%.

Car to the U.S. market and the Chinese market data analysis, calculate the of supporting bilateral tires and tire replacement market developments. In general, cars have four matching tires, tire service life of 2-3 years; 4 matching tires light truck tire service life of 1 year; supporting medium-sized trucks 10 – tire, heavy duty trucks, 20 supporting tire, tires life is 1-2 years.

Automobile market in the United States, 2010-2012, the year-on-year increase of cars, light trucks, medium and heavy truck sales have different levels of growth, growth should be consistent with the growth of car sales, and the increase is slightly larger tire replacement. 2 years after a passenger car tire replacement, trucks replaced after 1 year, is expected to 2013, brought about by the new vehicles in 2009, passenger car replacement tire demand in about 24,350,000 new light truck and heavy-duty truck tire replacement needs were 25,910,000 and 9,260,000.

The increase in China's auto market, passenger car, light truck sales (commercial gasoline vehicles) and heavy trucks (commercial diesel vehicles) a small peak in 2010, the late growth slowdown. Car tires be replaced after two years, replaced a year later trucks projections, expected in 2013, China will increase its passenger car tire replacement needs around 58,050,000, commercial vehicle tire replacement demand is about 76.6 million.

5.3. Global Rubber Products Industry Analysis

5.3.1. World Rubber Products Market area pattern analysis

Global rubber products industry in Europe and the United States dominated the industry and a high degree of market concentration.

From the analysis of the geographical distribution, the very similar distribution pattern of the Global rubber products industry, and the pattern of the tire industry, Europe and the United States market share has remained at the level of 60-70%.

50 companies in 2011 before the global rubber products, non-tire rubber products business in Europe, Asia, North America enterprise revenue, respectively, accounted for 44.5%, 32% and 23.5% market share. Top five companies from Germany, France, Sweden and Japan, and Japan in the number of enterprises operating income are the largest non-tire rubber products operating income accounted for about 50 Total revenue

29%, followed by the United States, Germany income accounted for 23.5%, 18.4%.

Sweden despite only two companies short-listed, but its share of operating income there is 7.2%, showing that its not a small-scale. Contrast to the situation of the enterprise in China, China shortlisted companies also two, but its 2011 operating income of \$ 988 million, accounting for only 1.5%. Little role in the global pattern of rubber products in China.

5.3.2. Chinese rubber industry, the development of

The development of the rubber products industry showed extensive accelerated growth into the smooth development process.

Analysis from a number of firms, 1999 so far this year, the number of rubber enterprises into the fast-rising stage, initially Statistics 1436 companies rose to 4,861 in October 2011, a new high since 12 years of record. After 2011, the number of firms in a steep drop, to September 2012, the decline has reached 42.6%.

Analysis, in October 2009, with the growth of the rubber products businesses, the proportion of loss-making enterprises is gradually reduced from the economies of scale, indicating that the rubber products to the overall progress of the industry to get the amount of extensive development. 2011, the form of the change, the sudden drop in the number of rubber products enterprise, while the rate of decline of the number of loss-making enterprises more extensive development stage than there have been more substantial reduction, indicating that the optimal adjustment of the rubber industry, the internal ongoing industry bodies More small-scale enterprises to withdraw from the market losses.

Analysis of the distribution of sub-sectors, rubber sheet, tube, wit