Rubber May Extend Rally After Golden Cross: Technical Analysis

Rubber may extend a rally to the highest level since April after forming a so-called golden-crosspattern this month, according to technical analysis by research company JSC Corp. in Tokyo.

The 50-day moving average on the Tokyo Commodity Exchange surpassed the 200-day average this month after climbing above the 150-day average in November, signaling upward momentum is accelerating, said analyst Takaki Shigemoto.

The contract may advance to the upper end of the so-called Bollinger Band at about 322 yen a kilogram ($3,629 a metric ton) in the short-term, with support seen around 286 yen, or the lower end of the band, Shigemoto said.

“The market is expected to remain in an upward trend for the coming months,” Shigemoto said yesterday.

Rubber for delivery in June settled at 308.3 yen in Tokyo yesterday, rebounding 50 percent from a three-year low of 205.6 yen reached on Aug. 14. It is 42 percent below the record high of 535.7 yen reached in February 2011, as growth in auto sales decelerated in China, the world’s largest consumer of the commodity used to make tires.

Auto sales in China may gain 7 percent in 2013 to 20.65 million units, compared with last year’s 4.3 percent growth, the state-backed China Association of Automobile Manufacturers said Jan. 11. The pace of growth remains less than a quarter of the stimulus-led 32 percent rate in 2010, as cities including Beijing and Guangzhou restrict new vehicles to reduce smog and traffic jams.

In technical analysis, investors and analysts study charts of trading patterns and prices to predict changes in a security, commodity, currency or index.