

IRCo – Rubber Market Watch: 25 February – 1 March 2013

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The Movements of Global Stocks, Finance and Energy

Global stock, financial, and energy markets were mainly influenced and directed by the news on a movement of the Japanese yen against the dollar and an election of the Bank of Japan's new governor, the issue of U.S. spending cuts, an affirmation of huge monetary easing scheme by the U.S. Federal Reserve, the latest elections in Italy that reignites euro-zone economic instability, Chinese tighter monetary measures to cool property prices, and weak Chinese manufacturing data in February.

The Nikkei 225 index closed lower at 11,606.38 on Friday compared with its closure on Monday. In contrast, the Shanghai Stock Exchange Composite and Hong Kong's Hang Seng indices finished higher on Friday than their closure on Monday at 2,359.51 and at 22,880.22. The Australia's S&P/ASX 200 finished the week higher at 5,086.13.

Major stock markets in Europe rebounded on Monday and rose in the middle of the week, before they would end lower on Friday. The Stoxx Europe 600 index lost 0.3% to close at 289.02, but gained 0.2% on the week, marking the second weekly gain in a row. The FTSE 100 index, however, closed 0.3% higher at 6,378.60 and was up 0.7% on the week. Germany's DAX 30 index erased 0.4% to 7,708.16. The German benchmark closed out the week 0.6% higher. France's CAC 40 index fell 0.6% to 3,699.91, sending it 0.2% lower on the week.

The Dow Jones Industrial Average index stayed in an uptrend during the week and moved to the highest level in five years at 14,089.66 on Friday, as better-than-estimated housing data bolstered economic optimism, and European shares rebounded amid gains in Italian bonds. The Standard & Poor's 500-stock index gained 3.52 points, or 0.2%, to 1,518.20 while the Nasdaq Composite Index advanced 9.55 points, or 0.3%, to 3,169.74.

The dollar strengthened against its major rivals, i.e. the euro, the Swiss franc, the Japanese yen during the week but the Chinese yuan, while the Thai Baht, the Indonesian rupiah, and the Malaysian ringgit were rangebound. The euro was at around \$1.3020, the dollar was at around ¥93.62, and the dollar was at around CNY6.2226 on Friday in New York.

Crude oil futures tumbled during the week mainly due to lots of bearish global economic news and a strengthening dollar, which dampened investor confidence in global energy demand at present and in the near future. Light, sweet crude-oil futures for April delivery on the New York Mercantile Exchange dropped \$1.37 a barrel to settle at \$90.68 while ICE North Sea Brent crude oil for April dropped 98 cents to settle at \$110.40 a barrel, the lowest prices since 24 December, according to Dow Jones Newswires.

Rubber Markets

Rubber futures and physical rubber markets in Asia still went South during the week as market players on rubber futures still heavily sold their contracts to reduce losses amid lots of bearish news on the global economy. At the same time, global investors looked for other safe havens and they mostly parked their portfolios in dollars even though technical charts for rubber and natural rubber (NR) supply were declining amid sporadic weather in major NR producing countries like Thailand, Indonesia, and Malaysia. The above mentioned reasons led to the heavy falls in NR prices on Friday compared with an earlier Friday, including IRCo's DCP, as per the table below.

Even though IRCo's technical RSI stayed at a very low level of 8.53% on an earlier Friday, it still could not convince market players on rubber futures to return to longs as bearish news on the global economy and heavy sell-offs on global commodity markets outweighed rubber market fundamentals.

IRCo's technical MACD still pulled down its Signal Line further in negative territory, while IRCo's RSI improved slightly to stay at 9.98% on Friday. We would like to say that a move of NR prices in the coming week still relies on daily incoming news.