

IRCo – Rubber Market Watch: 7 – 11 January 2013

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The Movements of Global Stocks, Finance and Energy

The Japanese Nikkei 225 Index stayed in an uptrend during the week, and it closed higher at 10,801.57 on Friday supported by a continued weakening of the Japanese yen. In contrast, the Chinese Shanghai Composite Index fell slightly during the week and settled at 2,243 on Friday after a report showed inflation in December accelerated more than forecast. Elsewhere in major stock markets Asia, the Hang Seng Index lost 0.4% to end at 23,264.07. The Australian S&P/ASX 200 was down 0.3% to 4,709.50. South Korea's Kospi Composite was down 0.5% to 1,996.67.

European stocks fluctuated in a narrow range during the week as the current European economic situation has not shown a significant improvement, and it led to a lower close of the Stoxx Europe 600 Index at 4,709.49 on Friday while other major European stock markets were mixed. The U.K.'s FTSE 100 Index advanced 0.3% from Thursday to close at 6,121.58. Germany's DAX 30 Index edged up 0.1% to finish at 7,715.53, and the French CAC 40 Index managed a 0.1% rise to finish at 3,706.02.

On Wall Street, U.S. blue-chip stocks stayed firm in an uptrend during the week as worries about the fiscal cliff has been faded out, and healthcare, industrial, and material stocks gained in the fourth quarter. The Dow Jones Industrial Average added 17.21 points, or 0.1%, to 13,488.43 on Friday. The Standard & Poor's 500-stock index slipped 0.07 point, or less than 0.1%, to 1,472.05, easing back from a five-year high on Thursday. The Nasdaq Composite Index rose 3.87 points, or 0.1%, to 3,125.63.

The dollar weakened against the following currencies on Thursday and Friday, i.e. the euro, the Swiss Franc but the Japanese yen, after the European Central Bank (ECB) on 10 January decided to keep its benchmark interest rate unchanged at 0.75% and ECB president Mario Draghi painted a more optimistic picture of the region's economy. On Friday, the euro was at \$1.3343. The Swiss franc was at \$0.9133, and the dollar was at Y89.17.

Crude oil futures moved in a narrow range during the week caused by a weaker dollar against the euro and the Swiss Franc and the impact of an oil production cut back by Saudi Arabia last December. Light, sweet crude oil futures on New York Mercantile Exchange closed lower at \$93.56 a barrel on Friday, according to Dow Jones Newswires.

Rubber Markets

Market players took profits on Monday after the benchmark price for June delivery on Tokyorubber futures breached a Y300/kg ceiling last

Thursday. However, rubber bellwether Tokyorubber futures rose consecutively from Tuesday to Thursday on the back of a continued weakening Japanese yen against the dollar that influenced rubber futures and physical rubber markets in Asia to follow suit but the Shanghai rubber futures.

On Friday, a report on a rise in Chinese inflation last December prompted profit-taking on rubber futures and dragged down natural rubber (NR) prices in most physical rubber markets in the region except the Thai rubber market.

Tokyo rubber futures still stayed in an uptrend on Friday compared with its settlement prices on an earlier Friday mainly caused by an influence of the continued weakening of the Japanese yen against the dollar whereas the most active Shanghai rubber contract for May delivery stayed in reverse because Chinese traders mostly followed relevant factors in the country.

On the physical front, NR prices in the region stayed firm throughout the week, especially NR prices in Thailand, amid some profit-taking on rubber futures as NR demand-supply fundamentals stayed rather balanced, and NR producers are confident that NR prices still have room to go higher at least in 1Q13 because the global economy in general is improving, and NR supply is declining as the dry wintering season is coming.

On the NR demand side, auto sales in China and U.S., the world's largest and the world's second largest auto markets, rose by 4.3% and by 13% to 19.3 million units and to 14.5 million units respectively, according to the figures provided by China Association of Automobile Manufacturers (CAAM) and Autodata Corporation. Importantly, CAAM Deputy Secretary General Shi Jianhua forecast a 7% rise in China vehicle sales for this year.

Looking at technical charts, IRCo's MACD pulled back its Signal Line a bit on Friday compared with an earlier Friday after NR prices fell on Monday, Tuesday and Friday. Nonetheless, IRCo's RSI stayed rangebound at around 78.06% on Friday because most market players still held long positions.

Taking the current rubber market sentiment, technical charts, rubber market fundamentals, global stocks and commodities, and major currency exchange rates into consideration, NR prices will remain firm in the coming week despite some profit-taking but not serious. IRCo