

IRCo – Rubber Market Watch : 29 October – 2 November 2012

The Movements of Global Stocks, Finance and Energy

Positive U.S. economic data released on Thursday and the most recent Chinese manufacturing data lent support for Asian stock markets to close higher on Friday. Among major Asian stock indices, the Nikkei 225 Index, the Hong Kong's Hang Seng Index, the Shanghai Stock Exchange Composite Index, and the Australia's ASX200 Index closed at 9,051.22, 22,111.33, 2,117.05, and 4,460.05. Anyhow, their average weekly Indices for the week were lower than their ones in an earlier week.

Likewise, European stock markets were boosted by the positive U.S. economic data and an improvement in European manufacturing purchasing manager's index in October on Friday. On the same day, the Stoxx Europe 600 Index rose 0.4% to close at 274.85, and the U.K.'s FTSE 100 Index settled 0.1% higher at 5,868.55. The France's CAC 40 Index finished 0.5% higher at 3,492.46, and the German DAX 30 index picked up 0.4% to 7,363.85. Overall, major European stock indices improved for the week compared with an earlier week.

In contrast, Wall Street retreated on Friday, after its two day consecutive rises on Wednesday and Thursday as sharp declines in materials and energy stocks outweighed a bigger-than-expected increase in October U.S. payrolls. The Dow Jones Industrial Average (DJIA) dropped 139.46 points, or 1.1%, to 13,093.16. The Standard & Poor's 500-stock Index shed 13 points, or 0.9%, to 1,414.20. The Nasdaq Composite Index (NCI) slid 37.93 points, or 1.3%, to 2,982.13. For weekly averages, the DJIA stayed low for the week compared with an earlier week but the S&P 500 and the NCI.

The euro weakened against the dollar throughout the week due mainly to market concerns about an argument about a bailout between the Greek government and lawmakers who are expected to vote in the coming week on measures required to receive aid. In the meantime, the Japanese yen continued weakening against the dollar as the Bank of Japan added 1 trillion yen (US\$138 billion) to its monetary stimulus program amid better-than-forecast U.S. data that renewed appetite for higher-yielding assets.

On Friday, the euro was 1.2836 against the dollar while the Japanese yen stayed at around 80.44 against the dollar. In the meantime, the Thai, Indonesian, and Malaysian currencies were rangebound at around 30.78, 9,610, and 3.0515 against the dollar.

Crude oil futures on New York Mercantile Exchange (Nymex) for December delivery continued improving from Monday to Thursday before they would fall to close at US\$84.86 a barrel on Friday as refineries in New Jersey remained shut, curbing demand for crude oil hit by Atlantic super storm Sandy.

Rubber Markets

The settlement prices for natural rubber (NR) on both the spot and benchmark months on Tokyo rubber futures finished the week on Friday lower than their settlement prices on Monday and an earlier Friday as well as Shanghai rubber futures due mainly to the pressure of persistently weak rubber market sentiment and commodities, market concerns about the lingering European debt crisis, and volatile global stock and currency markets.

The above mentioned causes resulted in the current downtrend on physical rubber markets in Asia throughout the week that led NR prices in the region to fall across the board on Friday compared with an earlier Friday.

IRCo's technical MACD and Signal Line fell into negative territory on Friday while IRCo's RSI was rangebound and stayed at 32.39% on Friday. It seems that NR prices on rubber futures in Asia are being oversold whereas Shanghai rubber futures still look steady.

If so, it is still confirmed that there could be a technical rebound on rubber futures if rubber market sentiment improves in the coming week.