

IRCo – Rubber Market Watch: 10 – 14 December 2012

By Yium Tavarolit

The Tripartite Rubber Ministers met with non- ITRC Members in Phuket, Thailand

The meeting of the Tripartite Rubber Ministers of Thailand, Indonesia, and Malaysia under the Tripartite Rubber Cooperation was held on 12 December 2012 in Phuket, Thailand, together with the Working Lunch between the Tripartite Rubber Ministers and the Vice Minister of Agriculture and Forestry of Laos, the General Directorate of Rubber Plantations of Cambodia, and the Acting Chief of Trade Office of the Vietnam Embassy in Thailand.

The main objectives of the above two meetings are to strengthen the rubber Cooperation among Thailand, Indonesia, and Malaysia in the future, especially in the next ten years, through the International Tripartite Rubber Council (ITRC) and International Rubber Consortium Limited (IRCo), and to welcome other ASEAN natural rubber (NR) producing countries to cooperate with the ITRC and IRCo when the ASEAN Economic Community (AEC) is effective from 2015.

In responses to the invitations to join the ITRC, the Vice Minister of Agriculture and Forestry of Laos, the General Directorate of Rubber Plantations of Cambodia replied that the two countries leave the door open for rubber Cooperation with the ITRC, and they requested more relevant data and information from the ITRC for their in-depth consideration.

As stated in the Media Release by the Tripartite Rubber Ministers on 12 December 2012 in Phuket, Thailand, they have shown a very strong commitment to further strengthen the roles and functions of the ITRC and IRCo to benefit natural rubber (NR) producing countries through the existing and future plans and mechanisms in the next ten years as approved at the Tripartite Ministerial Committee Meeting on the same day.

Lastly, the Tripartite Rubber Ministers reiterated that NR producing countries intend to help stop global warming by planting more NR trees to absorb carbon dioxide in the atmosphere, mainly emitted by global heavy industries around the world. To achieve that ultimate goal, green products, including NR products, should be promoted.

The Movements of Global Stocks, Finance and Energy

Asian stocks were mixed on Friday. The Shanghai Composite Index rose 4.3% to 2,150.63, its highest level since 10 August. Hong Kong's Hang Seng Index was also settled 0.7% at 22,605.98. Australia's S&P/ASX 200 was also flat at 4,583.10. Japan's Nikkei Index ended 0.1% lower to 9,737.56 while South Korea's Kospi Index was down 0.4% at 1,995.04.

European stocks were also mixed on Friday as investors were concerned about the U.S. fiscal cliff while data showed a further improvement in

China's manufacturing sector. The Stoxx Europe 600 Index fell 0.1% to close at 279.40, but gained 0.1% on the week. The German DAX 30 Index closed 0.2% higher at 7,596.47. The French CAC 40 Index closed marginally higher at 3,643.28, but the U.K.'s FTSE 100 Index slipped 0.1% to 5,921.76, but rose 0.1% on a weekly basis.

US stocks had their first weekly decline in a month on Friday as budget talks dragged on, overshadowing the Federal Reserve's plan to expand bond purchases and better-than-estimated economic data. The Dow Jones Industrial Average fell 35.71 points, or 0.3%, to 13,135.01, following a 75-point drop on Thursday. The Standard & Poor's 500-stock index retreated 5.87 points, or 0.4%, to 1,413.58. The technology-oriented Nasdaq Composite Index dropped 20.83 points, or 0.7%, to 2,971.33.

The euro surged on Friday to its highest level against the dollar since May on optimism that the euro zone was making some headway on resolving its sovereign-debt crisis. The single currency on Friday traded as high as US\$1.3173. Meanwhile, the Japanese yen was traded at around Y83.52 per dollar. The dollar fell against the Swiss franc at CHF0.9183 from CHF0.9235, according to EBS via CQG, and the U.K. pound was at US\$1.6168 from US\$1.6112.

Optimistic data from the U.S. and China gave the oil market a respite from fears of the U.S. fiscal cliff. U.S. crude futures settled 84 cents higher at US\$86.73 a barrel on the New York Mercantile Exchange. Meanwhile, Brent crude settled up US\$2.13, or 2%, at US\$109.15 on the InterContinental Exchange, according to Dow Jones Newswires.

Rubber Markets

Overall, rubber futures and physical rubber markets in Asia stayed in an uptrend during the week mainly supported by a weaker yen against the dollar, strong commodities and bullish output data in China amid slight profit-taking on Tokyo rubber futures. These led to higher settlement prices across the board.

IRCo's technical MACD crossed over IRCo's Signal Line in positive territory, and IRCo's RSI also stayed high at 69.18% on Friday. That indicated that market players have turned to long positions, and it is rather sure that they will continue buying contracts on rubber futures in coming weeks as market sentiment is more bullish after Japan's Liberal Democratic Party won the latest House of Representatives election on Sunday, 16 December.

Furthermore, southern Thailand is facing heavy rainfall that has disrupted rubber tapping for many days. This situation is expected to remain at least until the end of December before the dry wintering season will come since next February until April.

The gathering of the Tripartite Rubber Ministers of Thailand, Indonesia, and Malaysia on 12 December 2012 in Phuket, Thailand, also shows a sign of a strong commitment by the three countries to stabilize NR prices at fair and acceptable levels for both producers and consumers in the

short-and-long terms through various appropriate plans and mechanisms at present and in the future.

Most importantly, rises in global stocks and commodities now shore up investor confidence in anticipation of demand improvement in the U.S. and China in the coming year.

As a result of the above mentioned factors, NR prices should go higher in the coming week.IRCo