

IRCo – Rubber Market Watch: 23 – 27 July 2012

By Yium Tavarolit The Movements of Global Stocks, Finance and Energy The reassurance from European Central (ECB) Bank President Mario Draghi to do whatever it takes to preserve the euro shored up Asian stock markets on Friday. The Shanghai Composite was 0.1% higher to 2,128.76 while the Hang Seng Index advanced 2% to 19,274.96. Japan's Nikkei gained 1.5% to 8,566.64, and South Korea's Kospi index was up 2.6% to 1,829.16. In Australia, the S&P ASX 200 was up 1.5% to 4,209.80. Likewise, European stocks ended higher on Friday after the ECB President, German Chancellor Angela Merkel, and French President Francois Hollande vowed to protect the euro zone. The German DAX 30 index rose 1.6% to 6,689.40, gaining 0.9% on the week. The France's CAC 40 index rose 2.3% to 3,280.19, closing out the week with a 2.7% gain. The U.K.'s FTSE 100 index rose 1% to 5,627.21, but ended the week 0.4% lower. A pledge to preserve the European economy by the ECB President and the German and the French leaders on Thursday also boosted Wall Street to close higher on Friday. The Dow Jones Industrial Average gained 187.73 points, or 1.46%, to 13,075.66. The Standard & Poor's 500-stock index advanced 25.95 points, or 1.91%, to 1,385.97, and the Nasdaq Composite added 64.84 points, or 2.24%, to 2,958.09. The euro rose to a three-week high against the dollar on Friday as comments from several European officials lifted expectations that the ECB will do more to support the euro-zone economy. The euro ended the New York session at US\$1.2322, up from US\$1.2282 late Thursday whereas the dollar recently changed hands at Y78.44 from Y78.23. The U.K. pound rose to a five-week high against the dollar, last trading at US\$1.5748 from US\$1.5687. Against the Swiss franc, the dollar fell to CHF0.9748 from CHF0.9778. A strong voice of European leaders to resolve its lingering economy on Thursday also supported crude-oil futures to edge upward on Friday despite mediocre U.S. financial indicators after the euro zone garnered its latest vote of confidence from key European political leaders. Front-month crude-oil futures at the New York Mercantile Exchange settled at US\$90.13 a barrel, up 74 cents, or 0.8%. Front-month Brent futures settled at US\$106.47 a barrel, up US\$1.21, according to Dow Jones Newswires. Rubber Market Bellwether Tokyo Commodity Exchange led other rubber futures and physical rubber markets in Asia to fall from Monday to Wednesday amid weak rubber market sentiments, e.g. worries about rising in Spanish bond yields, falls in global stocks and crude oil futures, a stronger yen, and cut-loss selling etc. However, rubber futures and physical rubber markets in the region turned around on Thursday and closed higher on Friday when the ECB President pledged that he would launch whatever measures and consulted with major European leaders as soon as possible, especially with the German and French leaders, to improve the European economy. In addition, a hope of a positive outcome from a U.S. Federal Open Market Committee (FOMC) meeting in the coming week also restored investor confidence. Heavy falls on rubber futures and physical rubber markets in the region during Monday to Wednesday were greater than their rebound during Thursday to Friday due to the above mentioned reasons, and these caused natural rubber (NR) prices across the board to stay lower on Friday

than an earlier Friday. IRCo's technical MACD and Signal Line fell deeper in negative territory on Friday, compared with an earlier Friday, while its RSI also fell from 37.92% on an earlier Friday to 32.21% on Friday. There is still room for IRCo's RSI to fall further in the coming week, but a FOMC meeting on 31 July and 1 August is likely to help restore investor confidence and to counter its fall to a certain degree.

Most global stocks have improved consecutively except Shanghai Stock Exchange since last Wednesday whereas the euro has strengthened against the dollar since last Tuesday. These reflect investor confidence in global demand for goods and services while concerns about the European debt problems are being easing. However, a movement of the yen and crude oil futures still indirectly influences NR prices. In the meantime, current demand and supply for NR remain balance. The China Association of Automobile Manufacturing (CAAM) reported on Thursday that vehicle sales in China are expected to rise 8.0% from a year earlier to about 20 million units, keeping its full year target unchanged. The Ramadan until late next month and an erratic rainy season in Thailand, Indonesia, and Malaysia are lowering NR supply. As a result, it is expected that NR prices should be rangebound during Monday to Wednesday. We could see a rise in NR prices on Thursday to Friday if there is a substantive outcome from the FOMC meeting on Wednesday.