

Daily TOCOM Rubber Price Outlook and Strategy

Decision enabling market analysis & price outlook

For Feb 06, 2015

Market recap and Summary outlook for next 3 days

TOCOM futures inched lower after three day rally on Thursday's session as the steep fall in prices led to profit booking in the market. However, positive sentiment in the market due to expectations of seasonal production decline in ANRPC output during lean production period (Feb-May) and stockpiling activity ahead of Chinese holidays supported the prices and helped evading sharp declines.

Going ahead, NR futures prices are expected to trade in a mixed range in coming few sessions as the expectations of supply decline during the lean production period in ANRPC countries is likely to boost the prices while lingering concerns of demand from top consumer China are expected to offset the positive sentiment and trim the gains.

Key drivers likely to impact in the coming sessions are:

- Positive US auto sales data
- Thailand's measures to support prices
- Decline in Japanese rubber inventories
- Yen strengthening against dollar
- Decline in Chinese NR imports

Price outlook Summary						
Last closing price (Feb 05, 2015)		TOCOM RSS3 July'15: JPY 206.4 (-1.20%) SICOM TSR 20 Feb'15: USc 141 (0.36%)				
Price outlook summary		Concisely, TOCOM futures are likely to consolidate in the rage of JPY 215-200 in the coming few sessions.				
		SICOM futures prices are likely to consolidate in the range of USc 146-135 in the coming few sessions.				
Price Range for next 5 days		Price Range			Bias	
	TOCOM	215 – 200			Mixed	
	SICOM	146 – 135			Mixed	
Strategy Review		Trader should consider the below mentioned strategy.				
Trading Strategy		Filled on	Position	Entry	Objective	Stop Loss
	TOCOM	--	Buy	JPY 202	JPY 210	JPY 199
	SICOM	Jan 30, 2015	Sold	USc 138.5	USc 132	USc 143

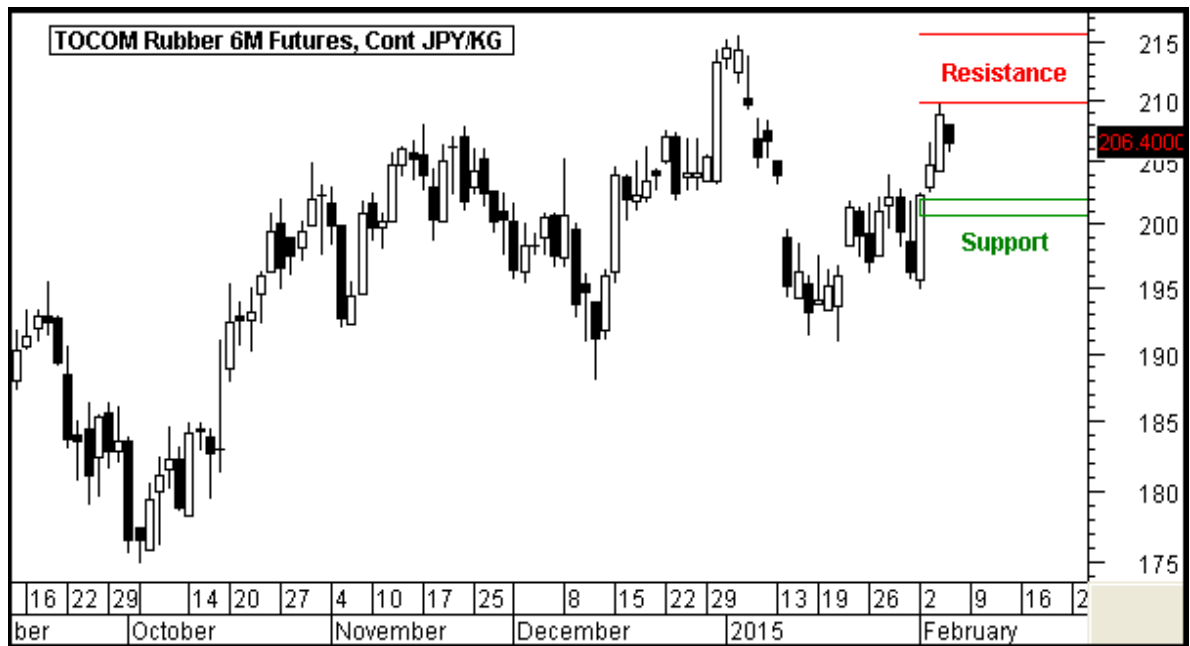
Performance Audit			
TOCOM NR Futures	2012-13	2013-14	Since Jan'14
Strike rate % (Profitable strategies)	69.23%	71.67%	66.67%
Net profit / Gross profit Ratio %	77.84%	73.99%	65.46%

Fundamental Analysis

- ❖ Top rubber producing nation Thailand, Malaysia and Indonesia are expected to meet again on February 26th in order to stabilize the prices and support small rubber growers. Emerging producers Vietnam, Cambodia, Laos and Myanmar will also join the discussions in which concerns regarding higher supply are addressed. However, earlier measures international rubber tripartite meeting in November failed to boost prices as the agreement to curb exports didn't materialize.
- ❖ Thailand government savings bank is expected to provide business operators with loans worth 25 billion baht (USD 767.3 million) to boost NR prices and support rubber farmers. Earlier, Thai government approved 30 billion baht (USD 919 million). Market intervention by Thailand government and removal of excess supply from market by buying is expected lend support NR prices in medium term.
- ❖ US total vehicle sales increased by 13.7% in January to 1.15 million units compared to 1.02 million units during same month last year. Strong growth in US automobile sector led the annualized selling rate to soar to 16.66 million units, which is expected to offset some of the demand worries from China.
- ❖ Crude rubber inventories at Japanese ports declined by 0.5% to 12,976 tons from 13,044 tons till the end of Jan 10th 2015 from ten days earlier. Rubber inventories have declined marginally after increasing for five consecutive weeks indicating the improvement in demand during the last two weeks.
- ❖ Natural rubber stocks at SHFE remained almost unchanged in the week ending 30th Jan 2015, with stocks increasing by a marginal 75 tons to 164,681 tons from 164,606 tons a week earlier. Meanwhile, On-warrant stocks also increased by a mere 400 tons to 137,760 tons indicating lack of activity and weakness in the spot demand.
- ❖ China's NR imports in December declined by 18% in December to 283,710 tons from 346,048 tons from a year earlier. Chinese rubber imports, an indicator of the demand in the mainland, have witnessed negative decline the last quarter of 2014 suggesting the economic slowdown also affecting the rubber demand despite the strong growth in auto sales.
- ❖ United States department of commerce has slapped preliminary anti dumping duties for certain passenger and light truck tyre manufacturing companies. The duty rates vary between 19.17% and 87.99% for various companies with major tyre producers like Goodyear, Bridgestone set an duty of 27.72%. Increase in import duties is expected to hamper the demand growth of Chinese tyres in coming months.
- ❖ On the economic front, yen continues to trade in the 117 levels against dollar as the weakness in dollar due to weak manufacturing sector data and safe haven demand continued to support. Going ahead, markets will be looking forward to US nonfarm payrolls data which is expected to strengthen resulting in dollar gains against yen and support NR prices.
- ❖ International crude oil prices tumbled on Wednesday's session as the record high inventories at the US front renewed worries of supply glut in the market. Brent crude prices rose by about 17% while WTI futures increased by 18% in the last three trading sessions due to declining oil rig count and cutting of capital expenditure by oil majors boosted the prices higher.

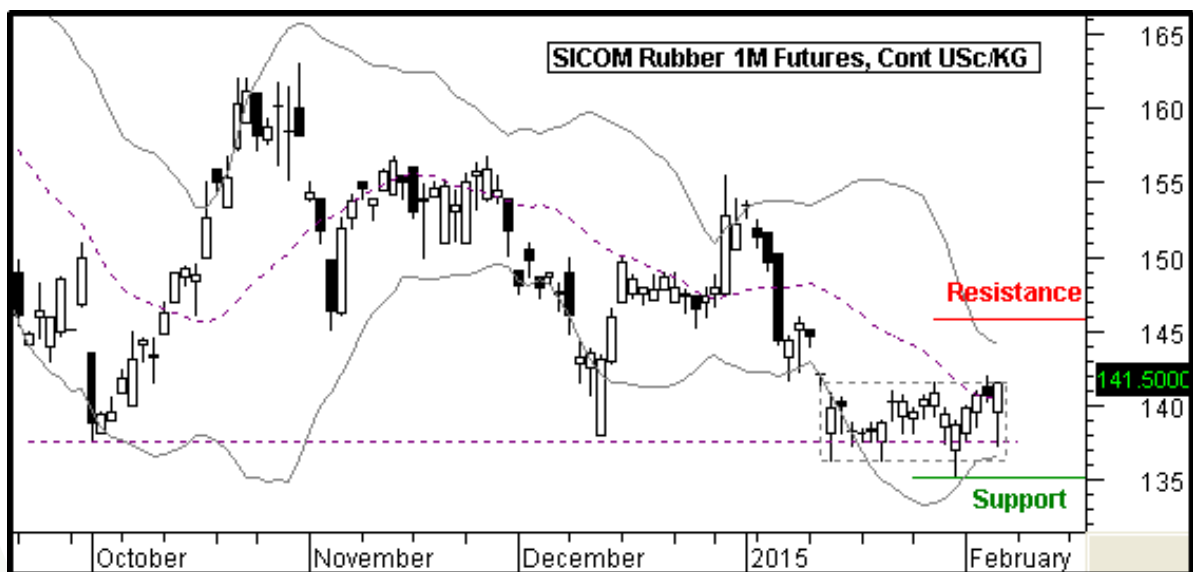
Technical Outlook

- ❖ TOCOM Rubber Jul'15 futures prices have traded with negative momentum and closed at JPY 206.40 in the last session.
- ❖ Price triggered the upper boundary of Bollinger band around JPY 210 where price likely to consolidate towards USD 200.



- ❖ Price has corrected 38.2% of the 2014 bear market JPY (288-175) around JPY 215 and turning lower which could retest the swing low of JPY 175 staying below JPY 215.
- ❖ On the higher side, JPY 210 could act as immediate resistance followed by JPY 215.
- ❖ On the lower side, JPY 200 region could act as support zone followed by JPY 191.

Concisely, TOCOM futures are likely to consolidate in the range of JPY 215-200 in the coming few sessions.



SICOM futures prices are likely to consolidate in the range of USc 146-135 in the coming few sessions.

MINI CHARTS

<p>TOCOM RSS3 spread (JY/Kg)</p> <p>Mar'15-Feb'15</p>	<p>TOCOM RSS3 spread (JY/Kg)</p> <p>Apr'15-Mar'15</p>	<p>TOCOM RSS3 spread (JY/Kg)</p> <p>May'15-Apr'15</p>
<p>TOCOM RSS3 spread (JY/Kg)</p> <p>Jun'15-May'15</p>	<p>TOCOM RSS3 spread (JY/Kg)</p> <p>Jul'15-Jun'15</p>	<p>TOCOM RSS3 Forward curve (JY/Kg)</p> <p>2/5/2015</p>
<p>RSS3 Bangkok Ave Spot prices Historical (US Cents/Kg)</p>	<p>SIR20 & SMR 20 spot prices (US Cents / Kg)</p>	<p>Bangkok RSS3 - TSR 20 spot spread (US Cents / Kg)</p>
<p>Crude oil prices (US \$/Barrel)</p>	<p>USD/INR</p>	<p>USD/JPY</p>
<p>USD/THB</p>	<p>USD/IDR</p>	<p>USD/MYR</p>

Spot Prices		
Grade	Market	Feb 05 2015
Global Natural Rubber		
RSS 3, (THB/Kg)	Bangkok	57.4(0)
STR 20, (US cents/Kg)	Bangkok	149(-1)
SIR 20 (US cents/Kg)	Indonesia	167(0)
SMR 20, (US cents/Kg)	Malaysia	140(-1)
Indian NR, Kottayam – INR/Qtl		
RSS-4	Kottayam	13035 (-35)
RSS-5	Kottayam	10600 (-100)
ISNR-20	Kottayam	10400 (0)
Latex (60% drc)	Kottayam	8030 (0)

Futures Prices									
Rubber RSS3 prices in JPY/Kg									
Market	Contract	Session	Feb 05 2015				Change (Previous close)	Cumulative Volume	Cumulative Open Interest
			Open	High	Low	Close			
TOCOM RSS3 (Yen/kg)	Jun'15	Day	208.2	209.9	208.1	209.1	-2(211.1)	5653	28754
		Electronic	211.1	211.1	207.9	209.1	-2(211.1)		
	Jul'15	Day	206	208	205.9	206.4	-2.5(208.9)		
		Electronic	208	208	205.7	206.4	-2.5(208.9)		
In Tocom, 1 lot = 5 tons.									

Futures Prices									
Rubber TSR 20 prices in USc/Kg									
Market	Contract	Session	Feb 05 2015				Change (Previous close)	Cumulative Volume	Cumulative Open Interest
			Open	High	Low	Close			
SICOM TSR 20 (USc/kg)	Feb'15	Day	139.5	139.6	137.5	137.5	-3(140.5)	--	--
	Mar'15	Day	142.3	142.3	140.2	140.2	-0.4(140.6)		
In SICOM, 1 lot = 20 MT.									

Spread View – TOCOM RSS3 (JPY/Kg)						
Expiry	Closing Price	Mar'15	Apr'15	May'15	Jun'15	Jul'15
Feb'15	205.3	1.7	3.7	4.7	3.8	1.1
Mar'15	207		2	3	2.1	-0.6
Apr'15	209			1	0.1	-2.6
May'15	210				-0.9	-3.6
Jun'15	209.1					-2.7
Jul'15	206.4					

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Registered Office: 6-3-655/2/1, AP Civil Supplies Bhavan Lane, Somajiguda, Hyderabad – 500082 INDIA

Phone: **+91-40-33404040** | E-mail: services@transgraph.com | Internet: www.transgraph.com