

RUBBER

July 19, 2007

SPOT MARKETS

Spot rubber made loss on Wednesday, due to demand from user industry. According to the Statistics Department, Malaysia's natural rubber production increased by 13.6 per cent to 87,362 tonnes in May 2007 compared with the previous month. However, total production in the first five months of this year amounted to 489,632 tonnes, a drop of 4.3 per cent when compared with the same period last year. The bull in the market mainly catalyzed by domestic supply concerns. Rubber prices were down at Kottayam as well as in Cochin, both for RSS-4 and RSS-5 grade. The same trend was observed at international market in Bangkok; as prices were decreased for RSS-3 and RSS-4 grade.

FUTURES MARKETS

NMCE Rubber August contract, opened at Rs.8334/qty and traded between the range of Rs.8020 - 8400/qty, before closing at Rs.8031/qty, Rs.303 down by the previous close of Rs.8334/qty. The volume of August contract traded increased drastically.

Similar situation is observed in MCX Rubber August contract which is, opened at Rs.8360/qty and traded between the range of Rs.8000 - 8360/qty, before closing at Rs.8005/qty, Rs.288 down by the previous close of Rs.8293/qty. The volume of August contract traded increased drastically while open interest decreased marginally, as compared to the previous trading session.

PRICE DRIVERS

Bullish:

1. The monsoon at its full swing which disrupt tapping and latex production.
2. Decline in Rubber output, due to viral fever gripping in rubber growing areas in Kerala.
3. Decrease in rubber import by user industry.
4. Firm demand from domestic users.

Bearish:

1. Strong rupee; limiting the scope for export.

WEATHER

Rain/thundershowers are likely at most places over Kerala, Coastal Karnataka, Konkan & Goa, Andaman & Nicobar and other rubber growing areas. The weather is unfavorable for rubber tapping and latex production.

TECHNICALS

Prices closed below 9-day EMA, and 18-day EMA indicating that short-term trend as well as intermediate-term trend remains bearish. MACD shows uptrend in negative region; supporting the firmness in the market. 9-day RSI is moving downward in neutral region. While stochastic is declining in overbought region. The volume of August contract traded increased drastically. Rubber futures are likely to trade downward following a steady to weak opening.

RUBBER 0708(NMRUBQ7)2007/07/18 - Daily B:8039.00 A:8045.00
O 8334.00 H 8400.00 L 8020.00 C 8031.00 V 3,022 T 80,310 I O -294



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NMCE August	7781	7911	8031	8318	8536
MCX August	7765	7906	8005	8302	8494

TRADE RECOMMENDATIONS

Sell NMCE August Rubber near Rs. 8020- 8038 with a target at Rs. 7981 and then Rs. 7922 with a strict stop loss at Rs.8071.

Sell MCX August Rubber near Rs. 7990-8012 with a target at Rs. 7965 and then Rs.7912 with a strict stop loss at Rs.8038. Trade cautiously with intra day outlook.

DOMESTIC RUBBER PRICES

Centers	Category	Price (Rs / 100kg)		Change
		17.07.2007	18.07.2007	
Kottayam	RSS-4	8250	8200	-50
	RSS-5	8100	8050	-50
Cochin	RSS-4	8250	8200	-50
	RSS-5	8100	8050	-50



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INTERNATIONAL PRICES

Centers	Category	Price (Rs / 100kg)		Change
		17.07.2007	18.07.2007	
Bangkok	RSS-3	8378	8322	-56
	RSS-4	8342	8286	-56
Kuala Lumpur	SMR-20	8111	8127	+16
	Latex (60%drc)	5250	5253	+3

INTERNATIONAL PRICES (AS OF JULY 18, 2007)

Tokyo Commodity Exchange (TOCOM)

Yen / kg

Contract Month	Open	High	Low	Settle	Change
July 2007	248.8	249.9	248.7	249.1	-0.2
August 2007	249.1	251.1	248.4	249.3	-0.3
September 2007	247.3	249.5	246.8	248.5	+1.2

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