

## Domestic and Export Trade:

### Domestic Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		24.01.2014	17.01.2014	
Kottayam	RSS-4	15050	15000	50
	RSS-5	14550	14350	200
	ISNR-20	14700	14700	Unch
	Latex (60% drc)	12365	13100	-735
Cochin	RSS-4	15050	15000	50
	RSS-5	14550	14350	200

The domestic RSS-4 prices fell 5.6% compared to previous week and it fell more than 7% in last fortnight. In Kottayam the RSS-4 prices were quoted at Rs 15200 per 100 kg from Rs 16100 in the first week of Jan.

Further, the import in rubber is still viable despite rise in import duty in the same. This is because the manufacturing companies have advance licenses for duty free imports. Therefore, the supplies are unlikely to hit in coming months despite fall in rubber production this season. Till December 31, 264,576 tonnes were imported by India mainly from Indonesia; further 30,000 tonnes are expected to be imported during January-March. Hence, the prices are expected to remain under pressure in near-term.

Looking at the current imports scenario even after upwards revision of imports duty, Rubber Merchant's Association has raised its voice against imports and it is asking government to pause imports for atleast three months.

Weak global and domestic rubber market outlook, viable imports for India, fall in crude oil will keep the domestic rubber market under pressure in near-term. However, approaching lean tapping period may limit the fall.

## International Development and Impact:

The natural rubber declined further during the week in international market due to the slowdown and weak investor's confidence. There was no fresh demand from the tyre manufactures during the period.

Further, higher inventories in China and Japan with recent Chinese imports from Thailand taking advantage of the temporary export duty relief remained bearish for the global rubber market.

China has reportedly bought 2.47 Mn T in 2013, rise of 13.5% from previous year. Thailand's half of exports volume was supplied to China alone. The China's rubber stocks inspected by Shanghai Future Exchange rose to 190,158 tons second week of Jan is considered to be the highest figure since 2004.

#### International Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		24.01.2014	17.01.2014	
Bangkok	RSS-1	14506	14708	-202
	RSS-2	14393	14595	-202
	RSS-3	14289	14493	-204
	RSS-4	14233	14436	-203
	RSS-5	14148	14352	-204
	SMR-20	-	-	-
	Latex (60% drc)	-	-	-
Kuala Lumpur	RSS-1	-	-	-
	SMR-20	13247	13519	-272
	Latex (60% drc)	9098	9050	48

However, weak Yen against US dollar and Nymex crude oil above the support level of US \$90/barrel is still a positive sign for international rubber. Apart from these factors, Thailand, Indonesia and Malaysia, major rubber producing countries are entering in the dry wintering season in coming month, which will naturally lead to supply crunch which will eventually lend support to the rubber prices.

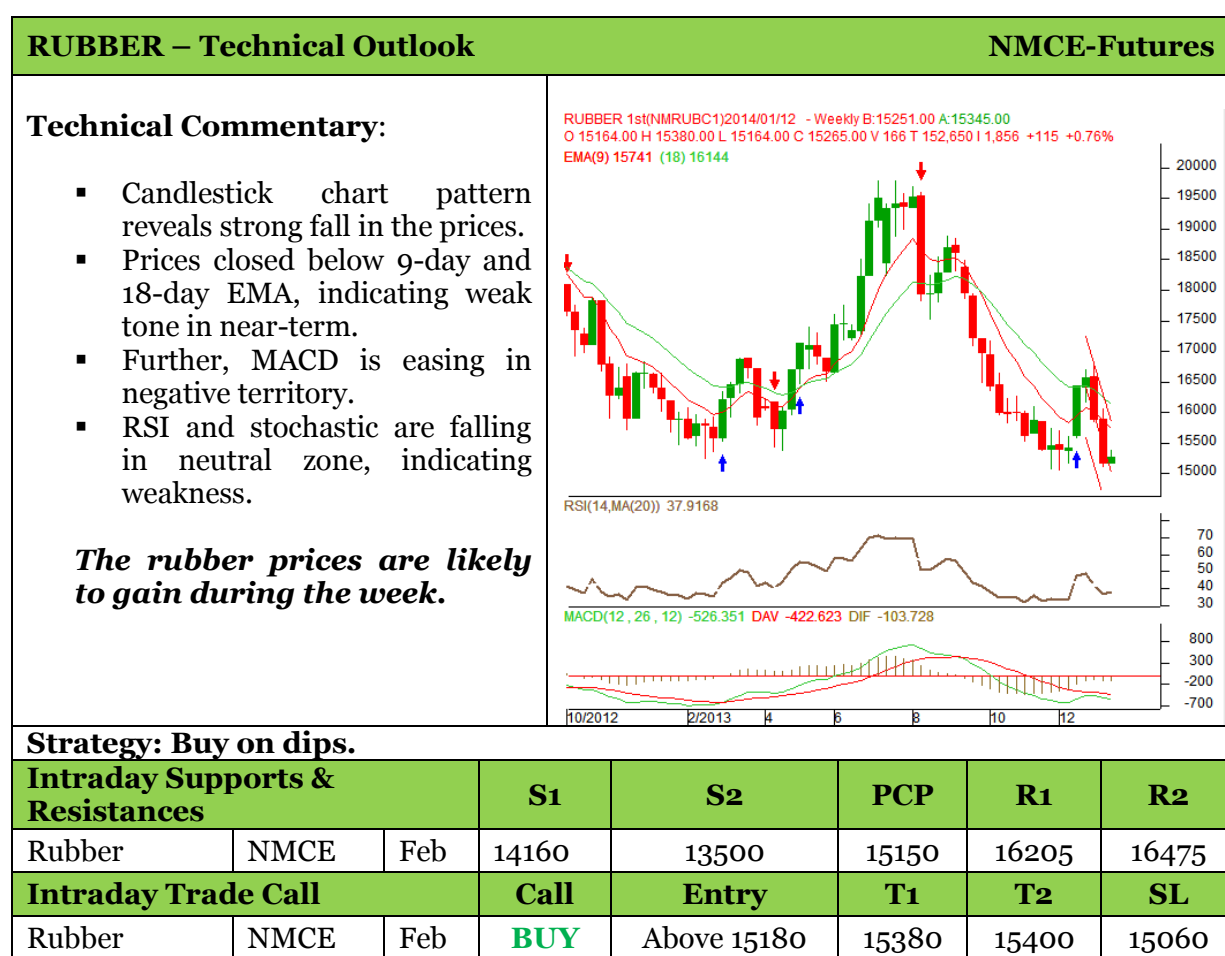
Further, auto sales in China have marked record 21.98 million units in 2013, up 14% from 2012.

The international rubber prices are likely to recover on the aforesaid factors.

#### Outlook and Recommendation:

**Spot:** The domestic prices are likely to recover in coming weeks with the tapping season coming to an end in December; this keeps the domestic rubber prices up in the fourth quarter. Besides, expected recovery in global rubber market on weak Yen, dry wintering season in major producing countries .

Bulls	Bears
Fall in Japanese Yen against US dollar.	Weak global and domestic rubber market sentiments.
Dry wintering season in major producing countries.	Higher rubber inventories in China and Japan.
Upward revision in India's import duty.	Weakness in crude oil.
Remarkable growth in Chinese automobile industry.	
Improving crude oil, now above US \$ 90 a barrel – Nymex.	


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