

## Domestic and Export Trade:

### Domestic Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		03.01.2014	30.12.2013	
Kottayam	RSS-4	16100	16400	-300
	RSS-5	15450	15650	-200
	ISNR-20	15800	16000	-200
	Latex (60% drc)	12630	12420	210
Cochin	RSS-4	16100	16400	-300
	RSS-5	15450	15650	-200

The rubber prices in domestic cash markets featured losses due to feeble buying and weak global market during the week in review.

The domestic prices once again fell after modest recovery in previous week, immediately after the centre revised import duty to 20 per cent or Rs 30 a kg whichever is lower from 20 per cent or Rs 20 a kg (whichever is lower).

Weak buying is also attributed the strong resistance at higher levels and a gap between domestic and international price. However, the growers are reportedly holding their stocks in anticipation of higher prices in coming weeks. Normally, the months from February thru April are considered lean as tapping usually comes to an end by the end of January.

The revision in imports duty have provided some relief to the rubber growers, as the step will discourage imports to some extent leading to boost in domestic prices.

Further, there has been a difference in opinion on the available stock on the issue for years, which heightened this year after record rubber imports during Apr-Nov of the current financial year. The rubber exports stood at 2.38 lakh tones which was higher as compared to the imports of 2.17 lt for the entire 2012-13 fiscal.

The board has announced rubber stocks of 2.45 lt at the end of Nov and it is estimated that around 77,000 tonnes are with manufactures, 94,000 tonnes are with growers and 74,000 tonnes with dealers and processors. The biggest challenge for the tyre manufactures is how they get the rubber with growers and dealers or processors.

Again, performance of Indian currency against US dollar, crude oil, India's growth of automobile sector and global market outlook would be major factors which will drive the market in near-term.

### International Development and Impact:

The natural rubber witnessed losses in international market as the investors in Asian and other rubber futures liquidated their long position ahead of the year-end leading to pressure in the cash market too during the week in review.

Though the Japanese yen is weak against US dollar, the investor remained concerned followed by the reports of credit crunch in China in conjunction with weakness in global rubber market.

The international rubber prices are expected to remain volatile near-term in view of weak investor confidence and market sentiments.

Further, in India the rubber tapping is getting into lean season while rubber trees will be shedding their leaves in the coming months as the dry wintering season is approaching rubber producing countries in the region.

#### International Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		03.01.2014	27.12.2013	
Bangkok	RSS-1	15619	15966	-347
	RSS-2	15506	15853	-347
	RSS-3	15403	15749	-346
	RSS-4	15347	15693	-346
	RSS-5	15262	15608	-346
	SMR-20	-	-	-
	Latex (60% drc)	-	-	-
Kuala Lumpur	RSS-1	-	-	-
	SMR-20	13959	14208	-249
	Latex (60% drc)	9848	10434	-586

The international rubber prices are likely feature weak sentiments globally on bearish factors in near-term including weak investor confidence, reports of credit crunch in China and losses in crude oil.

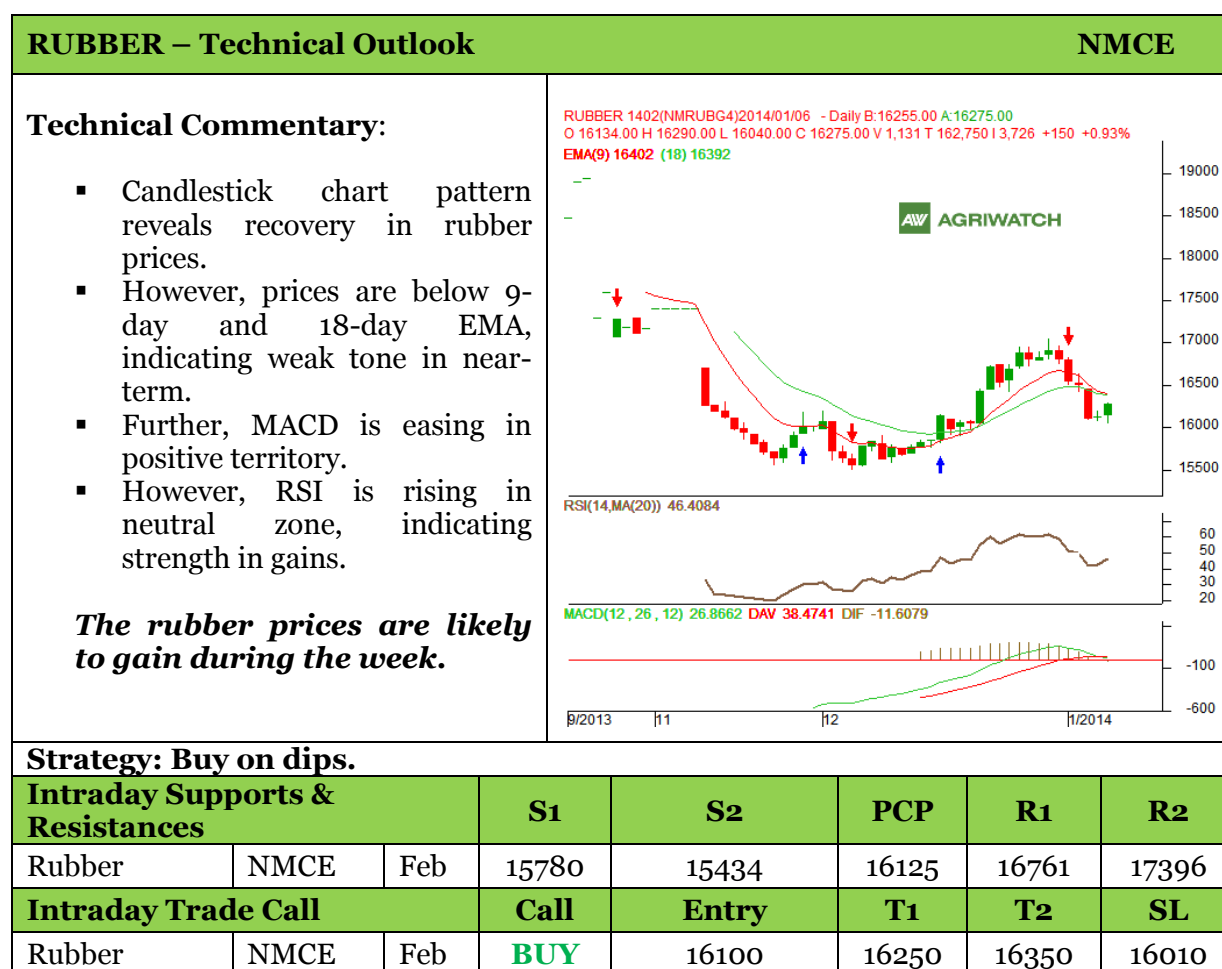
Besides, weakness in the Yen against dollar will remain positive for rubber demand.

### 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. But persisting weak global sentiments in rubber will limit the gains rise in the domestic prices.

### Tug of War

Bulls	Bears
Weakness in Japanese Yen against US dollar.	Weak rubber market sentiments.
Approaching lean season in rubber producing countries, including India.	Fall in crude oil – WTI NYMEX, from US \$ 100.32 on 27 Dec 2013 to around US \$ 94 on 6 Jan 2014.
Upward revision in India's import duty.	Credit crunch in China.
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