

Domestic and Export Trade:

Domestic Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		21.3.2014	14.3.2014	
Kottayam	RSS-4	14750	14800	-50
	RSS-5	14450	14500	-50
	ISNR-20	14300	14300	Unch
	Latex (60% drc)	11050	11155	-105
Cochin	RSS-4	14750	14800	-50
	RSS-5	14450	14500	-50

The domestic rubber prices featured mild losses in the absence of active participation of buyers and sellers during the week in review.

The domestic prices are under pressure due to higher imports in previous months. India has imported around 2.6 lakh tonnes of rubber (April – Feb) besides, reportedly there was 2.66 lakh tonnes of rubber in the domestic market. This has lead to the rise in domestic inventories in the natural rubber.

The major buyers of the rubber are comfortable in importing under advance licensing system which waives the import duty. Besides, they are waiting for the prices to further go down.

Even the procurement process failed to push up the rubber prices in the cash market. The Kerala government with the help of procurement agencies like Kerala State Marketing Federation (Marketfed) had decided to procure rubber directly from farmers at Rs 2 more than the market price fixed by the Rubber Board with effect from 3 Mar 2014.

It is decided that the procurement would continue until the prices in the physical market get stabilized at Rs 171 per kg, which are currently ruling around 14450-14750, RSS-5 and RSS-4 category.

Again weak Chinese economic data raised the fears of falling demand and fall in China's Purchasing Managers' Index (PMI) to an 8 months low of 48.1 in March from February's final reading of 48.5 remained bearish for the international rubber which is eventually pressuring the domestic rubber market too. Sluggish trade activity is expected in the domestic market with buyers and sellers in wait and watch situation in near-term.

However, declining supplies in major rubber producing countries is expected to lend support to international prices over the next few weeks and limit the losses. Dry weather in Thailand, Malaysia and Indonesia has already hit the production. Thailand, the world's largest rubber producer and exporter, is about to enter the dry season, when rubber trees shed their leaves and stop producing latex/rubber.

International Development and Impact:

The natural rubber prices in the international market edged-lower on weak Chinese economic data which raised the demand concern and fall in China's Purchasing Managers' Index (PMI) to an 8 months low of 48.1 in March from February's final reading of 48.5.

Further, higher rubber production estimates of Vietnam which jumped 20.8 percent to 1.043 MMT in 2013 compared with 0.864 MMT in 2012, according to the Association of Natural Rubber Producing Countries.

The rise in production pushed Vietnam up two rankings to become the world's third largest rubber producer, another bearish factor for the international rubber market.

Further, the data from the Rubber Trade Association of Japan reveals crude rubber inventories at Japanese ports at 22,056 tonnes as of mid March, up 2.8 percent from 10 days earlier. The inventories have been gradually increasing since October 2013.

Again, less Chinese and Malaysian buying in recent months has negatively hit the Vietnamese rubber shipments. In 2013, Vietnam shipped 1.078 million tons of rubber worth 2.51 billion U.S. dollars, which is up 5 percent year-on-year in volume but it is down 12 percent on value.

Reportedly, China and Malaysia remained major exports destination for Vietnam's natural rubbers in the past few years. In 2013, China consumed around 45 percent of Vietnam's rubber exports volume while Malaysia purchased 21 percent.

This again remained a weak factor for the international natural rubber market.

International Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		21.3.2014	14.3.2014	
Bangkok	RSS-1	14237	14319	-82
	RSS-2	14124	14206	-82
	RSS-3	14020	14102	-82
	RSS-4	13963	14046	-83
	RSS-5	13878	13961	-83
	SMR-20	-	-	-
	Latex (60% drc)	-	-	-
Kuala Lumpur	RSS-1	-	-	-
	SMR-20	11673	12041	-368
	Latex (60% drc)	9267	9300	-33

China's demand concern will remain a bearish factor, but tight supply in the major producing regions of Thailand, Indonesia and Malaysia will lend support to the international physical natural rubber market in coming weeks.

Outlook and Recommendation:

Spot: The domestic prices are likely to feature steady to weak tone on short-term bearish underlying factors. However, bullish global supply scenario followed by severe dry weather conditions and talks of possible El Nino this season affecting the NR production in the major Asian producing region/countries will lend support to the rubber prices in coming weeks.

Tug of War

Bulls	Bears
Thailand, the world's largest rubber producer and exporter, is about to enter the dry season, when rubber trees shed their leaves and stop producing latex/rubber.	Higher global stockpile (including Japan, Vietnam, India).
Crude oil, WTI, hovering around US \$ 100 a barrel.	Weak underlying current in Indian market. Higher imports in previous months.
Talks of possible El Nino this year. Severe dry weather in Thailand, Indonesia and Malaysia.	Disappointing set of manufacturing figures from China.
India's natural rubber production in February fell to 60,000 tonnes from 62,000 tonnes a year ago.	Fall in China's Purchasing Managers' Index (PMI).
Currently NR is in low production period due to wintering season in major producing countries.	Declining Chinese and Malaysian imports
-	-

RUBBER – Technical Outlook

NMCE-Futures

Technical Commentary:

- Candlestick chart pattern reveals fall in the prices. However, the prices seem to have bottomed out.
- In the weekly chart, prices closed below 9-day and 18-day EMA, indicating weak tone in near-term.
- Further, MACD is easing in negative territory.
- RSI is easing in the neutral region and stochastic are falling in neutral zone, indicating weakness.

The rubber prices are likely to rebound during the week.



Strategy: Buy on dips.

Intraday Supports & Resistances

			S1	S2	PCP	R1	R2
Rubber	NMCE	Apr	14185	13842	14529	15644	15987
Intraday Trade Call			Call	Entry	T1	T2	SL
Rubber	NMCE	Apr	BUY	Above 14532	15000	15100	14251

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