

## Domestic and Export Trade:

### Domestic Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		11.4.2014	4.4.2014	
Kottayam	RSS-4	14500	14800	-300
	RSS-5	14050	14400	-350
	ISNR-20	13700	14050	-350
	Latex (60% drc)	11995	11785	-210
Cochin	RSS-4	14500	14800	-300
	RSS-5	14050	14400	-350

The domestic spot rubber witnessed losses on weak buying and continued imports by the manufacturers. The only gainer was Latex primarily due to short supplies.

The prices are also under pressure due to weak global factors.

The Kerala government failed to successfully intervene and procure the rubber from the cash market after it announced to do so to protect the interest of the growers. 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.

Reportedly the government and the relevant agencies failed to procure the rubber as they were short of the funds/liquidity for the plan.

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.

It is not only the advance licensing system which has advantage to the importer but also the better quality of imported rubber is encouraging the rubber imports in higher volume.

Besides, concern over Chinese economy continues to pressure the rubber market. China is the largest NR consumer and the importer.

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 continued downtrend on worries over economic growth and demand from China.

Reportedly, the Thai government has planned to sell 200,000 tonnes of rubber from state inventory in April to offset lost output as growers stop tapping trees during the dry season.

The sale is unlikely to have any big impact on prices amid the falling supply as trees stop producing latex.

Crude rubber stock at Japanese ports stood at 22,059 tonnes as of March 31, which is down 1.71 percent from 10 days earlier, data from the Rubber Trade Association of Japan, marking the first decline since last October. The report is bullish though Chinese imports are lower.

Further, according to Macquarie global demand for natural rubber is forecast to grow by 4% in 2014, the market will see a surplus of 373,000 tonnes this year, a fourth year of oversupply. This is again a bearish factor.

Besides, worries over economic growth and demand from China, which accounts 60% of the total imports of Vietnam's rubber, have sent tyre grade prices on the Singapore Commodity Exchange to their weakest since mid-2009, which is below \$2 a kg.

The tyre-making industry makes up about 60% of global rubber consumption.

The global rubber price benchmark on the TOCOM is also languishing near 18-month lows because of similar fears.

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
		11.4.2014	4.4.2014	
Bangkok	RSS-1	13899	14002	-103
	RSS-2	13787	13891	-104
	RSS-3	13684	13789	-105
	RSS-4	13628	13733	-106
	RSS-5	13544	13650	-106
	SMR-20	-	-	-
	Latex (60% drc)	-	-	-
Kuala Lumpur	RSS-1	-	-	-
	SMR-20	10949	11180	-231
	Latex (60% drc)	9103	9195	-92

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.	Weak underlying current in Indian market. Higher imports in previous months.
Gains in Crude oil, WTI, above US \$ 100 a barrel.	Disappointing set of manufacturing figures from China.
Talks of possible El Nino this year. Severe dry weather in Thailand, Indonesia and Malaysia.	Fall in China's Purchasing Managers' Index (PMI).
India's natural rubber production in February fell to 60,000 tonnes from 62,000 tonnes a year ago.	Declining Chinese and Malaysian imports
Currently NR is in low production period due to wintering season in major producing countries.	

## RUBBER – Technical Outlook

## NMCE-Futures

### Technical Commentary:

- Candlestick chart pattern reveals fall in the prices.
- 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 and stochastic are falling in neutral zone, indicating losses.

*The rubber prices are likely to ease during the week.*



**Strategy: Sell on rise.**

Intraday Supports & Resistances			S1	S2	PCP	R1	R2
Rubber	NMCE	May	14500	14450	14715	15067	15285
Intraday Trade Call			Call	Entry	T1	T2	SL
Rubber	NMCE	May	<b>SELL</b>	Below 14725	14625	14590	14785

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