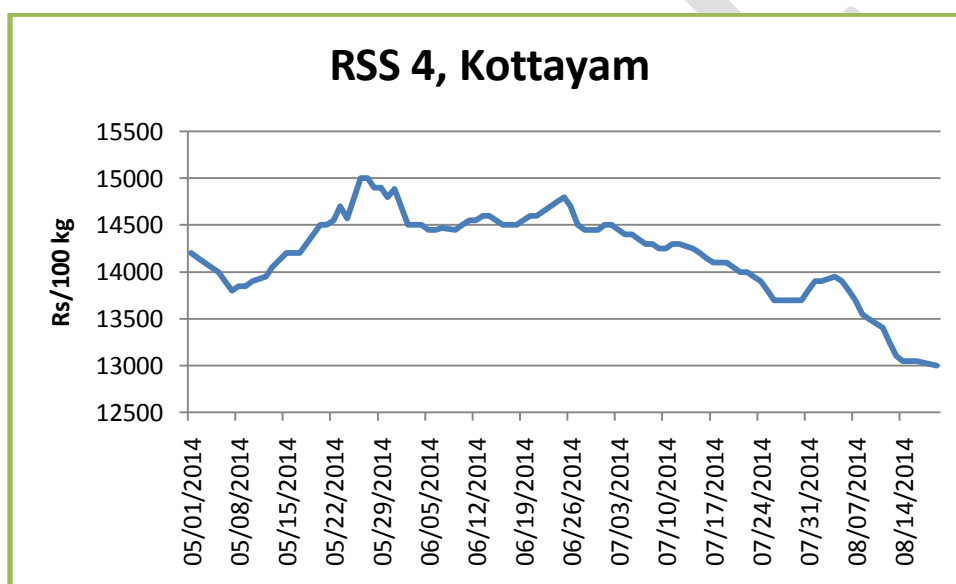


Domestic and Export Trade:

Domestic Rubber Prices

Centers	Category	Price (Rs/100 Kg)		Chg
		5.9.2014	29.8.2014	
Kottayam	RSS-4	12650	12800	-150
	RSS-5	12200	12450	-250
	ISNR-20	10650	10900	-250
	Latex (60% drc)	8945	8890	55
Cochin	RSS-4	12600	12800	-200
	RSS-5	12200	12450	-250



The domestic natural rubber (NR) prices further skid on sluggish activity in the physical market during the week in review. The sellers are already discouraged as prices fell significantly in last 3 months as the major buyers refrained from the market.

The domestic rubber prices fell and are close to their lowest level in more than four years in line with the weak international NR prices.

Comfortable NR stocks with the major manufactures followed by improved imports in recent months weigh on the rubber prices. The largest consumer – tyre manufacturers are consistently importing the NR owing to lower international prices as well as the better quality as compared to the domestic produce.

India's imports, in March alone, surged 144% over the same period last year. In March 2013, NR imports totalled a mere 9,921 tonne against 24,196 tonne in March 2014.

Reportedly, for the first time in 2013-14, India's NR imports registered above the 300,000-tonne. From 217,364 tonne in 2012-2013, NR imports surged to 324,467 tonne, a rise in imports over 1 lakh tonnes.

In a bid to contain the falling NR prices the Kerala government announced to procure the rubber, but in vain. 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 below 1400-14400, 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.

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.

Concern over Chinese economy, weakness in benchmark Tokyo rubber futures and Thai government decision to sell about 200,000 tonnes of rubber from state inventory will weight on the NR prices in short-term. Thailand, the world's largest rubber producer and exporter, have entered the dry season, when rubber trees shed their leaves and stop producing latex/rubber which eventually lead in lower supplies in the world market.

International Development and Impact:

The natural rubber prices extended losses on demand concern from China owing to its worries over economic growth. The NR in benchmark Tokyo rubber futures TOCOM witnessed huge fall in last couple of weeks, and it is under pressure.

Benchmark TOCOM rubber futures marked a 4-1/2 year low early on Monday (Apr 21) followed by weaker-than-expected monthly exports from Japan and concerns over demand in top buyer China.

However, rubber inventories in warehouses monitored by the Shanghai Futures Exchange fell 2.2 percent week-on-week, on Friday (Apr 18).

Currently, the global supply of NR is higher as compared to the demand. Even temporary reduction in exports is unlikely to boost the prices concluded in a conference by the members of the natural rubber producing countries held in Kuala Lumpur.

It is estimated that the market will be with surplus of 78% of NR in 2014 (652000 metric tons in 2014 v/s 366000 metric tons in 2013) as demand growth is falling and outturn in Thailand surpasses forecasts.

The industry is with the view that the global NR production will continue to outpace the demand for another two years. World NR production may rise 1.1% to 12.2 million tons this year against consumption of 11.5 mn tons.

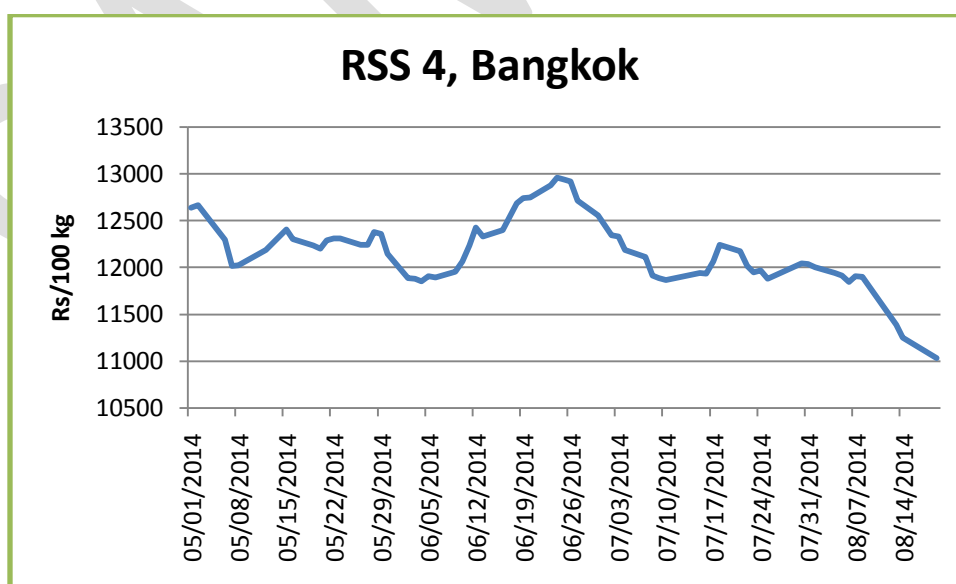
Again, less Chinese and Malaysian buying in recent months has negatively hit the Vietnamese rubber shipments. In 2013, Vietnam shipped 1.078 million tons of rubber worth 2. 51 billion U.S. dollars, which is up 5 percent year-on-year in volume but it is down 12 percent on value.

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
		5.9.2014	29.8.2014	
Bangkok	RSS-1	10951	11065	-114
	RSS-2	10838	10951	-113
	RSS-3	10734	10847	-113
	RSS-4	10677	10790	-113
	RSS-5	10592	10705	-113
	SMR-20	-	-	-
	Latex (60% drc)	-	-	-
Kuala Lumpur	RSS-1	-	-	-
	SMR-20	9760	9885	-125
	Latex (60% drc)	7822	7972	-150



Outlook and Recommendation:

Spot: The domestic prices are likely to feature steady to weak tone on bearish underlying factors. Higher supplies and China's demand concern will remain a bearish factor, but talks of possible El Nino may hit the supply in the major producing regions of Thailand, Indonesia and Malaysia which may limit the losses in the international physical natural rubber in coming weeks.

Import Parity/Disparity in Rubber:

Bhat into INR	Bangkok (FOB Price-Baht/kg) into INR	Insurance Rs/kg	Freight in INR/kg (@USD55/tonne)	Import Duty RS/kg	Landed Cost/Kg
1.86	135.59	0.68	3.31	27.11	166.69
				RSS 4 Price in India	145
				Parity/Disparity	-21.7

FOB Bangkok (Price in Bhat/kg)

Comparative Period	Ribbed Smoked Sheet					Standard Thai Rubber				Latex
	RSS 1	RSS 2	RSS 3	RSS 4	RSS 5	STR 5L	STR 5	STR 10	STR 20	Latex
	Bangkok (FOB Price-Baht/Kg)									
9/5/2014	58	57.4	56.85	56.55	56.1	55.1	53.2	52.5	52.1	41.65
8/29/2014	58.35	57.75	57.2	56.9	56.45	55.15	53.25	52.55	52.15	42.1
9/5/2013	80.3	79.7	79.15	78.85	78.4	76.1	74.2	73.5	73.1	51.15

Currency

Currency	9/5/2014	8/29/2014
USD	60.43	60.49
Euro	78.19	79.68
Yen	57.36	58.22
Pound Sterling	98.64	100.41
Bhat	1.88	1.9

Tug of War

Bulls	Bears
Thailand, the world's largest rubber producer and exporter, has entered 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 \$ 103 a barrel.	Disappointing set of manufacturing figures from China.
Talks of possible El Nino this year. Severe dry weather in Thailand, Indonesia and Malaysia.	Benchmark TOCOM rubber futures marked a 4-1/2 year low early on Monday (Apr 21) amid weaker-than-expected monthly exports from Japan and concerns over demand in top buyer China.
Rubber inventories in warehouses monitored by the Shanghai Futures Exchange fell 2.2 percent week-on-week, on Friday (Apr 18).	Declining Chinese and Malaysian imports.
Currently NR is in low production period due to wintering season in major producing countries.	
U.S. car giant General Motors Corp plans to invest \$12 billion in China from 2014 to 2017 and build more plants next year as it competes with aggressive rivals in the world's largest auto market.	

RUBBER – Technical Outlook

NMCE-Futures

Technical Commentary:

- The rubber prices are downtrend and they fell consecutive three week.
- 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 further 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	Sep	14500	13500	14390	15223	15640
Intraday Trade Call			Call	Entry	T1	T2	SL
Rubber	NMCE	Sep	SELL	Below 14390	14000	13800	14624

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